

## **The complaint**

Mr W complains that Valour Finance Limited (trading as Savvy.co.uk) didn't do enough checks before agreeing to lend to him and so the lending was irresponsible.

## **What happened**

Mr W borrowed £1,200 from Savvy on 26 May 2020. The loan was due to be repaid by 12 monthly instalments of £200.00 with the last payment due on 25 May 2021.

Mr W says Savvy didn't check his bank statements when he applied for the loan. He says they showed multiple other loans and a gambling problem and that Savvy should have seen that the figures he provided were inconsistent with his credit record. Mr W says he couldn't afford the repayments and, at the time of the lending, he'd suffered a recent relationship break-up and was drinking heavily. He adds that it wasn't explained to him that he'd have to pay off the full term's interest, even if he repaid the loan early.

Savvy says it conducted a credit check and asked Mr W about his income and expenditure. It says it validated Mr W's income and there was nothing of concern on his credit file. Savvy says its affordability checks showed the repayments were affordable to Mr W.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Savvy carried out proportionate checks and there was nothing in the available information to indicate Mr W was struggling to manage his money.

Mr W responded to say that he did not agree with the adjudicator's view.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Savvy needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr W could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Savvy should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Savvy was required to establish whether Mr W could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

When Mr W applied for his loan, I can see Savvy asked him about his income and expenditure and checked his credit file. I have seen the results of Savvy's credit check and it shows:

- Mr W had two loans that were up to date;
- He had five credit cards, all of which were within their limits;
- There were a further two active mail order accounts;
- Four defaulted accounts;
  - Three were from 12 months ago or earlier;
  - One was from January 2020;
  - All four accounts are marked as settled.

I can't see that there was anything in Mr W's credit file that should have indicated to Savvy that he was in current financial difficulties – there were no very recent defaults and the historical ones had all been settled.

I'm satisfied Savvy's remaining checks were proportionate to the circumstances of the loan – it was Mr W's first loan, the monthly repayments were only around 8% of his income and his disposable income, including existing credit commitments, indicated the repayments were sustainably affordable. So, although I accept what Mr W says about what his bank statements would have shown, I can't conclude that Savvy was required to carry out that level of checks.

I've also considered what Mr W said about having to pay the full term's interest, even if the loan was repaid early. I don't find that to be the case and I'm satisfied interest was applied daily and the terms for early settlement were outlined on the loan agreement.

So, in summary, I can't conclude there was anything in the available information to show Mr W was struggling to manage his money, or that Savvy should have carried out further checks. I consider the checks were proportionate to the circumstances of the lending and I find it was reasonable for Savvy to find the loan was affordable and that it made a fair lending decision.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 June 2021.

Amanda Williams

**Ombudsman**