DRN-2809421

The complaint

Mr T complains that Valour Finance Limited, trading as Savvy.co.uk, lent to him irresponsibly.

What happened

Savvy approved for Mr T a fifteen month instalment loan of £1,000.00 on 20 July 2018, payable in 15 instalments of £133.33 monthly.

Savvy says that it looked at four payslips obtained from Mr T, it reviewed a credit search and talked to Mr T about the items it saw on that search on the telephone. It questioned him about some elements and it asked if there were any other loans, not shown on its credit search, which Mr T may have had at the time. Mr T had given his expenditure figures to Savvy.

Mr T says that *'If an extensive credit check had been carried out then the history off ccjs,* [sic] *defaults and financial chaos I was in would have been clearly apparent. This would have also been reinforced by the request for bank statements'*

One of our adjudicators looked at the complaint and thought that the checks Savvy had carried out which included the telephone interview, the payslip request, the credit search and Mr T's declared expenditure were enough considering Mr T was a new customer to Savvy.

Mr T disagreed and so the complaint remained unresolved and was passed to me to decide.

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

Savvy needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr T could repay the loans in a sustainable manner. These checks could include several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

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:

- having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a level of income);
- having many loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable, but I don't consider this applicable to Mr T's circumstances as he took one loan only from Savvy.

Savvy was required to establish whether Mr T could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. 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 the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr T's complaint.

Mr T has sent us documents all of which I have reviewed. I have listened to the recorded call between Mr T and one of Savvy's representatives. I have been sent a copy of the credit file that Savvy obtained during that call and the time of the search is recorded on it as 19 July 2018, around 6pm.

A discussion was had about the application Mr T had made to Savvy in April 2018 which was declined. The reason for that, the conversation reveals, was that there was a guarantor loan which remained outstanding. Mr T volunteered that it had been repaid now.

Mr T confirmed that he was in a profession and earning £2,300 a month but he had had some time off recently. He gave his outgoings as £400 rent, £240 food and general spends for himself, council tax £100, utilities £100, TV licence and one subscription cost of £35, £28 for his telephone, £12 insurance, £150 travel using his car and the tax and insurance for the car was about £38 a month. He also said he spent about £60 to £70 a month on other things. The Savvy representative could see from the credit search what he owed on his outstanding loans and the repayments each month.

Savvy would have calculated the outstanding loans costs plus the new loan cost and likely thought that the loan Mr T was applying for looked affordable.

Savvy's final response letter to Mr T (FRL) confirms this:

> *'The assessment demonstrated… a total monthly expenditure of £1528.82, including your existing debt repayments. This means that your available monthly surplus was £481.00. Your loan contractual payments are £133.33 per month, which means even taking this into account, you still had £347.67 available monthly surplus, which evidences your affordability.'*

I can see that the credit search Savvy had obtained the evening of the telephone conversation showed some defaults and that Mr T had two County Court Judgments (CCJs). These were not discussed but the Savvy representative took time to review that credit search and likely saw these. Three of the delinquent accounts were in that status in 2013 and 2014 so several years before. And one was for 2017 which Mr T was asked about on the telephone.

Savvy was not entirely content on 19 July 2018 and needed to see four recent payslips from Mr T which he said he could obtain the next morning. He must have sent those as I have seen copies and the loan was approved. Savvy confirmed in its FRL that it used your payslips evidence to conclude: '*Your year-to-date figure for the previous tax year was £2009.82. I can confirm we used the lowest figure when assessing your affordability.'*

One the call Mr T had been very engaged with the process and the loan had been agreed in principle (subject to satisfactory payslips being sent the next morning) and Mr T asked what the overall repayment sum would be. He was told £1,999.95 but the agreement was structured that if he repaid it earlier it would be less than that.

I can see that Mr T's financial situation may have been worse than Savvy knew, but to expect it to obtain two or three months' worth of bank statements before lending the first loan to Mr T would have been disproportionate. For a first loan where Mr T's income had been verified, and expenditure was well within his monthly net income figure and where the credit search was obtained and discussed with Mr T, then I would not have expected Savvy to have done more.

I realise that Mr T will be disappointed but I do not uphold his complaint.

My final decision

My final decision is that I do not uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 19 August 2021.

Rachael Williams
Ombudsman