

## The complaint

Mr A complains that Valour Finance Limited trading as Savvy.co.uk was irresponsible in its lending to him.

## What happened

Mr A was provided with a £1,200 instalment loan by Savvy.co.uk in August 2020. The loan was repayable over 13 four-weekly instalments of just under £185 each. Mr A says that Savvy.co.uk acted irresponsibly by providing the loan.

Savvy.co.uk says that before the loan was provided it carried out affordability and creditworthiness checks. It says Mr A had a monthly income of £1,500 and expenses (including other loan commitments) of £515. It requested pay slips and carried out a credit check which identified a further loan. It says based on the information it received the loan repayments were affordable.

Our adjudicator didn't uphold this complaint. He didn't think that based on the information received and loan provided that further verification was required.

Mr A didn't accept our adjudicator's view. He said he had a lot of other credit outstanding at the time.

## *My provisional conclusions*

I issued a provisional decision on this complaint. I concluded in summary:

- As Mr A was only provided with one loan the initial checks carried out before the loan was provided seemed proportionate. However, I thought the information gained through these checks should have raised concerns.
- I noted the payslips provided by Mr A suggested an average monthly income of around £1,300 - lower than the £1,500 recorded. Mr A's income and expenses were discussed on a call and I didn't think the affordability checks raised issues that would require further verification. But I thought the credit check information should have raised concerns that Mr A was struggling to manage his money. Because of this I upheld Mr A's complaint.

Mr A agreed with my provisional decision. Savvy.co.uk didn't.

Savvy.co.uk noted my provisional decision said that Mr A had two accounts that had defaulted. It said this wasn't the case and had it confirmed by a credit reference agency that the two accounts hadn't defaulted.

## 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.co.uk 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 that Mr A 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.co.uk should fairly and reasonably have done more to establish that any lending was sustainable for a consumer.

I think that it is important for me to start by saying that Savvy.co.uk was required to establish whether Mr A 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 of the arguments, evidence and information provided in this context and what this all means for Mr A's complaint.

As I set out in my provisional decision Mr A was only provided with one loan by Savvy.co.uk and so it could be reasonable that less checks were required at this time. Affordability checks were carried out and while I noted the difference in the income figure compared with the payslips provided I think these checks were reasonable. However, I think that the credit check that was carried out raised concerns that Mr A was struggling to manage his money.

The credit report showed that Mr A had four credit card accounts, three of which had a balance higher than the limit. I noted in my provisional decision that the other credit card balance was recorded as a default in March 2020 and that another account was also recorded as a default at that time. Savvy.co.uk provided further information showing that the accounts were delinquent in March 2020 rather than defaulted and that the credit card account had since improved while there wasn't an explanation for the change in status of the other account.

I appreciate the additional information that Savvy.co.uk provided in response to my provisional decision and note that Mr A also provided additional information showing historic defaults on his account. I have carefully considered all the additional information provided. Having done so I still think that the information gathered through Mr A's credit search should have raised concerns that he was having difficulty in managing his money and that Savvy.co.uk should have been concerned that providing Mr A with a 12 month loan at this time wasn't sustainably affordable for him

## **Putting things right**

In deciding what redress Savvy.co.uk should fairly pay in this case I've thought about what might have happened had it not lent to Mr A.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr A may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, he may have looked to borrow the funds from a friend or relative – assuming that was even possible. Or, he may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if he had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mr A in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr A would more likely than not have taken up any one of these options. So, it wouldn't be fair now reduce Savvy.co.uk's liability in this case for what I'm satisfied it has done wrong and should put right.

Based on the above, Valour Finance Limited trading as Savvy.co.uk should:

- waive any interest and charges outstanding on the loan and ensure all payments that have been made towards the loan are considered as payments towards the capital amount borrowed; and
- remove any adverse information regarding this loan from Mr A's credit file.

### **My final decision**

My final decision is that I uphold this complaint. Valour Finance Limited trading as Savvy.co.uk should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 July 2021.

Jane Archer  
**Ombudsman**