DRN-2855329

## The complaint

Mrs T complains Valour Finance Limited trading as Savvy.co.uk ('Savvy') lent to her irresponsibly.

Mrs T also says Savvy should've based its lending decision on evidence such as her credit score, borrowing history, bank statements and by asking more details about the credit she already had outstanding with other lenders.

## What happened

Mrs T took an instalment loan for £1,000 on 8 October 2020 and Mrs T was due to make repayments of £166.66 per month over 12 months. Mrs T repaid the loan early in February 2021.

The adjudicator who assessed the complaint didn't think it was wrong to have granted the instalment loan. He thought that the checks completed by Savvy were proportionate and from what he could see the loan wasn't irresponsibly lent.

Mrs T disagreed with the adjudicator because she said other lenders had declined her loans which shows this loan wasn't affordable.

As no agreement has been reached, the case has been passed to me for a final decision.

## 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 had to assess Mrs T's application for borrowing to check if she could afford to pay back the amount she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Savvy's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments and Mrs T's income and expenditure. With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate.

But certain factors might suggest Savvy should have done more to establish that any lending was sustainable for Mrs T. These factors include:

- Mrs T 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 particular level of income);
- Mrs T having a large number of 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);
- Mrs T 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 for Mrs T.

At the time the loan was lent, Savvy was regulated by the Financial Conduct Authority, who had set out in its Consumer Credit Sourcebook ("CONC") that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mrs T's complaint**.**

The loan (£1,000) was due to be repaid through twelve monthly instalments of £166.66. At the time of application Mrs T declared she had an income of £1,650 per month and monthly expenditure of £877.26. The income and expenditure used by Savvy in its lending decision was based on what Mrs T declared and verified by what it could see through a credit check.

Savvy asked about commitments for rent/mortgage, housekeeping and bills, transport, socialising/entertainment costs, child care and ongoing debt repayments. Considering the expenditure used by Savvy in its assessment, this left a disposable income of around £600 per month after the monthly loan payment to Savvy was taken into account.

Given what Mrs T declared and from what Savvy could see, the income and expenditure it used in assessing the loan seemed to be a reasonable reflection of her circumstances.

In view of the level of lending, the loan term and it being the first loan, I think the checks Savvy conducted were proportionate. I've not seen enough evidence to indicate that Savvy ought to have built up a more detailed picture of Mrs T's finances, such as verifying everything it was told or completing a full review of her finances.

Looking at all this together, I don't think that Savvy was wrong to lend. I think its checks were proportionate and suggested the loan would be affordable and sustainable.

As this is the case, I'm not upholding Mrs T's complaint about her loan. I appreciate this will be disappointing for Mrs T. But I hope that he'll understand why I've reached the findings that I have.

**My final decision**

For the reasons I've explained above, I'm not upholding Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 9 July 2021.

Robert Walker
**Ombudsman**