

## **The complaint**

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

## **What happened**

Mr G was provided with a loan for £600 by Savvy in November 2020. It was repayable over 12 monthly instalments of £100.

Mr G says that had adequate checks been carried out before the loan was provided, Savvy would have seen that he had several other loans outstanding (including two loans that were provided a few days before his application was accepted), was overdrawn and had a gambling problem. He says that the loan caused him financial difficulty and should never have been considered sustainably affordable for him.

Savvy says that before the loan was provided it carried out an income and expenditure assessment. It says Mr G provided two pay slips showing income of £1,642 and £1,672 and that the lower figure was used in its assessment. It asked Mr G about his expenses and these were recorded, and the debt repayments amount was taken from his credit file. It says the credit check carried out didn't raise any concerns that required further checks to take place.

Savvy says that based on its assessment Mr G had a monthly disposable income of £380 and so the monthly loan repayments of £100 were affordable.

Mr G didn't accept Savvy's response and referred his complaint to this service.

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

Mr G didn't accept our adjudicator's view. He didn't agree that the checks carried out by Savvy were sufficient and said that it wasn't enough to rely on the statements of income and expenditure provided by him and that further verification should have taken place. He reiterated that had further checks happened, Savvy would have seen the loan shouldn't have been provided.

## **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 that Mr G could

repay the loans 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 a 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 G 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 G's complaint.

Mr G was provided with only one loan by Savvy and before this an affordability and credit check took place. Mr G provided payslips to show his income for August and September 2020 and the lower amount was used in Savvy's assessment. I find this reasonable. Mr G was asked about his expenses and a credit check was carried out to establish the amount he was paying towards other credit commitments. Based on the information gathered, the loan appeared affordable.

I understand the points Mr G has made about taking out other loans shortly before the Savvy loan was approved. However, I have looked at the results from the credit check carried out by Savvy and this didn't show the loans Mr G has noted. This may be because the credit file hadn't been updated with those loans. While I appreciate that Mr G thinks further checks should have taken place at this time, I do not find that the credit check raised concerns that meant further investigation was required.

I can see from the information Mr G has provided that he was gambling at the time of the loan. Savvy asked Mr G about gambling on the affordability assessment call and he confirmed he didn't gamble. I understand Mr G's comments about this and that he thinks further checks would have shown his gambling. However, having considered the size of the

loan and repayment amounts compared to Mr G's income, that this was only Mr G's first loan with Savvy and noting the results of the affordability and credit checks, I find the checks carried out were proportionate and I do not think Savvy was required at this stage to ask for further evidence – such as bank statements.

As the information received and checked by Savvy suggested the loan was affordable, I do not find I have enough to uphold this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 September 2021.

Jane Archer  
**Ombudsman**