

The complaint

Mr W complained that Valour Finance Limited, when it was trading as Savvy.co.uk ('Savvy') lent to him irresponsibly.

What happened

Mr W took out loans with Savvy as follows:

loan	start date	date repaid	monthly instalments	loan amount	highest instalment amount
1	11/10/2018	23/10/2018	15	£1500	£200
2	26/11/2018	29/11/2019	12	£850	£141.65

Mr W mainly complained that Savvy didn't carry out appropriate affordability checks. And he was unhappy that when he paid loan 1, shortly after taking it out, Savvy then gave him another loan – without asking for more evidence like bank statements, despite the fact he had a very low credit score and he was being refused credit elsewhere. Mr W said he was in financial difficulty at the time and had several loans with other companies that took up all of his wages – information which he feels Savvy should've seen from its checks.

One of our adjudicators investigated these loans. In brief summary, she didn't think that the information gathered raised concerns that the loans wouldn't be affordable or that Savvy saw anything that should've prompted it to do more checks before agreeing to lend loan 1. She thought that before lending loan 2 Savvy should've taken steps to build a more detailed picture of Mr W's financial situation. But she didn't feel that she had seen anything in the information provided which suggested that Savvy would've known that Mr W wouldn't be able to sustainably make the repayments on loan 2.

And our adjudicator didn't think that the number of loans Mr W took, the amounts they were for or the period of time he was borrowing meant his loan history, on its own, should've shown Savvy he might've been experiencing underlying financial difficulty.

So our adjudicator didn't uphold Mr W's complaint.

Mr W disagreed with our adjudicator's view. Mainly he said that he has provided evidence showing that both the loans were unaffordable for him when he was in financial crisis and spending every penny repaying and taking out new loans. He felt strongly that Savvy didn't carry out appropriate checks before lending. And Mr W felt that it can't be right not to uphold his complaint when he said other complaints from this time were found in his favour.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

“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.

Savvy was required to establish whether Mr W could sustainably repay the 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 relevant regulations define 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 the repayments sustainably if they’re unlikely to be able to make their repayments without borrowing further.

There’s no set list of checks that are ‘proportionate’. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr W’s income and expenditure.

And, for a first loan, less thorough checks might be reasonable and proportionate.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer’s income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)
- the *longer* the period of time a borrower will be indebted (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

I’ve kept all of this in mind when thinking about whether Savvy did what it needed to before agreeing to lend to Mr W and thought carefully about the following key questions:

☐ Did Savvy complete reasonable and proportionate checks to satisfy itself that Mr W would be able to repay the loan in a sustainable way? If so, did it make a fair lending decision? If not, what would reasonable and proportionate checks have shown at the time?

☐ Did Savvy act unfairly or unreasonably in some other way?

I’ve carefully listened to the call recordings Savvy provided from when Mr W applied for these loans. And I’ve thought about each loan in turn.

loan 1

Before lending to Mr W, Savvy asked Mr W for information about his financial situation. Using this information, Savvy was able to see what his monthly budget typically looked like. And it worked out what he could afford to borrow.

Savvy asked Mr W about his job and did an automated income check which enabled it to rely on Mr W getting his declared take home pay of £2000.

Savvy also asked Mr W about his outgoings and after checking through these with Mr W it worked out he would have a total monthly expenditure of £1054.97.

Savvy also did a credit check and asked Mr W to confirm that what it saw on its credit check regarding his credit cards and a couple of current accounts was correct.

Savvy specifically named some other providers of high cost credit and asked Mr W if he was paying any loans to any of those lenders – Mr W confirmed that he wasn't and explained he had recently repaid a loan to one of them and no further payments were due.

Savvy calculated that Mr W's monthly surplus was £945.03. So it was satisfied that the loan repayments of £200 per month for this loan should've been comfortably affordable for Mr W. And based on his responses to the information it had gathered on its credit checks, Savvy felt it was fair to lend to him.

Mr W feels strongly that his credit history clearly showed he wasn't in a position to be given any further lending as he had outstanding credit and he was already having problems managing his debt.

But I think it's fair to say that all the information Savvy had gathered tended to suggest that Mr W seemed to be managing his credit without any obvious signs that he had a serious debt problem. Savvy has sent me its credit checks so I can see the same information that it relied on when assessing if this loan was likely to be sustainably affordable for him. It saw that Mr W had three credit cards approaching their limit and that he was making some use of bank overdrafts. He also appeared to have an outstanding unsecured loan for £300 dating back to early 2017 with no record of any payments.

But the credit checks didn't show that Mr W was involved in any sort of arrangement with creditors and bankruptcy wasn't flagged up. He had no active county court judgements registered. These credit checks don't appear to me to show anything that would seriously call into question or contradict what Mr W told Savvy over the phone. And I don't think there was anything else that I can see that should've caused a reasonable lender to be concerned about providing loan 1.

It wouldn't be unusual for someone applying for this type of lending to have other debt – and sometimes even an impaired credit history. And these wouldn't necessarily be reasons not to lend. I don't think the amount of debt shown on Mr W's credit checks was excessive or that his payment history was concerning having regard to his income.

I'd expect Savvy to decide Mr W's lending application based on the information it was reasonably entitled to rely on at the time. And I don't think it was unreasonable for Savvy to provide loan 1 – especially as there wasn't anything obvious, in the information it had, to suggest Mr W wouldn't be able to repay the loan in a sustainable way. So that's why I'm planning on not upholding loan 1.

loan 2

Mr W took out loan 2 just over a month or so after paying loan 1 early – which he had cleared when he was only 13 days or so into the 15 months loan term. But I don't think this

was enough to make Savvy think that Mr W was struggling with being over-stretched financially – especially bearing in mind that he seemed to have repaid loan 1 without any evident money problems and loan 2 was for a substantially smaller amount.

Mr W's circumstances were broadly unchanged – Savvy took him through his declared income and expenditure and did a background check which again confirmed that he had been receiving a minimum of £2000 monthly for the past 12 months (just as Mr W had said).

Savvy also checked his use of other credit. I think it's fair to say that its credit checks showed that Mr W's overdraft limit on one of his bank accounts had gone up from £2000 to £3,335 – and that it looked like Mr W was making full use of that borrowing option. Also, he was using a further £100 of his available overdraft on another bank current account – taking him almost up to his £1000 limit on that account. Mr W also still had three credit cards with only limited available credit – and the unsecured loan from 2017 showing on his record.

Savvy discussed the information showing on its credit checks and asked Mr W to confirm it had identified this debt correctly. Savvy checked again with Mr W that he wasn't indebted to any of the named lenders it asked him about and asked whether he had any other debts apart from the ones it had mentioned or any expenditure at all that hadn't been covered. Mr W said 'no' to all these enquiries.

Taking everything into account, I don't think proportionate checks would've required Savvy to probe any more deeply into Mr W's finances or ask Mr W to prove what he was declaring (by requiring him to send in his bank statements for instance) or check other information sources to verify what he had told them (or omitted to say) about his financial circumstances. Unlike our adjudicator, I think its checks were proportionate and Savvy's lending decision wasn't irresponsible. Even if I were to think that Savvy should have done better checks before agreeing to provide these loans, I haven't seen anything in the information available to me which shows Savvy would have decided not to agree to lend had it done so. So I can't fairly uphold Mr W's complaint about loan 2.

In coming to my decision I've thought carefully about everything Mr W said in response to our adjudicator's view and his point that paying off loan 1 so quickly should have prompted Savvy to ask more questions. But Mr W saved a significant amount of interest by doing so and if his circumstances allowed him to do this I can see why it might've made good financial sense. Keeping in mind that loan 2 was for a substantially smaller amount, over a shorter loan term, I don't think Savvy had any strong reason to think that Mr W was in serious financial difficulty – particularly given the lack of any indication of this on its credit checks.

I appreciate that Mr W feels strongly that Savvy should have seen the extent of his loan activity around this time. But when a lender carries out a credit search, the information it sees doesn't usually provide the same level of detail that a person's own credit search will. And it isn't necessarily up to date – that can depend on when other creditors have reported information and when it's been recorded by the credit reference agency. A lender might only see a small portion of a borrower's credit file, or some information might be missing or anonymised. I'm also aware that not all payday and short term lenders report to the same credit reference agencies. This is why information that Mr W feels Savvy should have found out, and that he might see on his own credit check, may not have been identified by a credit check done by Savvy when he applied for this loan.

I think that Savvy gave Mr W fair opportunity to provide relevant information about his spending and it was entitled, at this early stage in their relationship, to rely on the information he provided. He said loan 2 wasn't going to be used to pay other credit – it was for home improvements.

What Mr W said, and what Savvy saw on the credit checks it carried out, didn't suggest anything that makes me think Savvy should've been prompted to probe more deeply into Mr W's reasons for borrowing or take steps to verify what he was saying. I would just mention also that information from Mr W's credit history that I've seen from around this time tends to support Savvy's lending decisions.

I've also taken into account what Mr W said about the way other complaints have been dealt with. But each complaint is looked at on its own merits – no two complaints are likely to be identical in every way and the outcome on each will depend on its own facts.

In a case Mr W mentioned that was upheld by an ombudsman colleague I can see that the lender had access to certain background information about Mr W's financial situation that Savvy didn't have here. I've looked at the circumstances that apply in this particular case and so what happened elsewhere doesn't change my conclusion.

Taking everything into account, I think Mr W was aware he was taking high cost loans on terms he seemed happy to agree to at the time.

I don't think Savvy had any reason to think that Mr W wouldn't be able to sustainably repay the loans.

I'm very sorry that Mr W had a problem with debt and that repaying these loans proved difficult for him. I accept that in reality Mr W's actual circumstances possibly weren't fully reflected either in the information he provided, or the other information Savvy obtained.

But in order to uphold this complaint I have to be able to say a lender acted unfairly or unreasonably. And, in this case, I haven't seen enough to make me think that Savvy acted towards Mr W in any way that wasn't fair and reasonable.

So I haven't seen anything to make me think this is a case where it would be fair and reasonable for me to award any redress.

I appreciate that my provisional decision will disappoint Mr W. But I hope my explanations help him understand why, as things stand at the moment, I've reached these conclusions.

If Mr W is still in a position where he would like help to manage his finances or to talk to someone about his situation, there's more information about how to get free debt advice on our website – or we can provide contact details if he gives us a call."

What the parties said in response to my provisional decision

Mr W sent me further details of other loans he had taken out which he feels haven't properly been considered. He says his total loan repayments exceeded what he was earning each month, he doesn't agree with the reasoning for taking out another loan in a short space of time and he feels strongly that Savvy should have asked for further information, such as bank statements. He believes that Savvy should have found out about the full extent of his use of credit.

Savvy has told me it has nothing further to add.

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.

I appreciate that Mr W feels strongly about what happened and he holds a different view to me.

I would like to assure Mr W that I've taken carefully into account all the information I've been sent and everything that's been said, including his comments in response to my provisional decision.

Mr W hasn't provided me with any new information that changes what I think about this case. I'm very sorry that Mr W had a problem with debt. But this alone isn't enough of a reason for his complaint to succeed.

In order to uphold his complaint, I would have to be able to say that Savvy did something wrong or that it acted unfairly in some way. But I think Savvy carried out checks that were proportionate before lending to Mr W and did what I would reasonably expect a lender in these circumstances to do.

In addition to asking Mr W for information about his income and expenditure, Savvy did its own credit checks.

Savvy then pressed Mr W for information about what it saw on its credit checks and asked him specific and direct questions about any borrowing with certain other lenders.

The answers Savvy obtained to the questions it asked and the results of its credit checks appeared to show that the loans it provided would be sustainably affordable for Mr W.

For all the reasons I have explained more fully in my provisional decision, I think it's fair to say that Savvy was entitled to rely on the information it gathered.

So I can't fairly say it should have found out all the information Mr W has told us about if Mr W didn't tell Savvy about everything – and although I can see he was fully engaged in the loan application process, I can't see that he did this.

As no further comments have been received in response to my provisional decision that change what I think about this case, I still think it's fair not to uphold this complaint for the reasons I explained in my provisional decision.

I can understand why Mr W is disappointed in the outcome of his complaint but I hope that setting things out as I've done helps explain how I've come to my view.

My final decision

For these reasons, I don't uphold Mr W's complaint against Valour Finance Limited trading as Savvy.co.uk.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 31 August 2021.

Susan Webb
Ombudsman