

## The complaint

Miss G says Valour Finance Limited trading as Savvy.co.uk ("Savvy") irresponsibly lent to her.

## What happened

Savvy provided the following loan to Miss G:

Date Taken	Date Repaid	Monthly instalments	Amount	Monthly repayment
29/06/2017	Outstanding	18	£1,750.00	£194.43

Miss G told us that she took out this loan when she was in a desperate situation because of the amount of debt she was in and that Savvy should not have provided the loan to her. She felt that Savvy based its lending decision on her income and expenditure when it should have taken more note of the adverse information it saw on its credit checks and also made further checks to verify her financial situation. Miss G told us that taking out this unaffordable loan has seriously affected her mental health. The loan has been partly paid but there is an outstanding balance still owing.

One of our adjudicators tried to mediate the complaint. This led to Savvy negotiating early settlement terms with the new debt owner, but Miss G didn't feel this went far enough to settle her complaint.

The case was looked at by another adjudicator who didn't uphold Miss G's complaint.

Miss G disagreed with our adjudicator's view and she has asked an ombudsman to look at her complaint.

So it comes to me to decide.

In summary, the key points Miss G is mainly concerned about seem to me to be that:

- Savvy didn't do enough checking before lending – especially as she had asked to borrow a £3,000 loan when she first applied
- also, Savvy could see information on its credit checks that showed her credit cards were nearly maxed to their limit and she was also making full use of a £250 bank overdraft option and she had been in a debt management plan (DMP) just a couple of years before
- as well as this, Miss G had told Savvy she had £1,200 in pay day loans and four credit cards Savvy so she felt Savvy should have asked for proof of those loans to ensure they were correct – she told us that her bank statements would have shown she was using payday loans to boost her monthly income and revealed the full extent of her actual debt – which included a £2,000 loan taken out in April 2017 not shown

on Savvy's checks

- Miss G is also unhappy that after it agreed to hold off applying a default on her account Savvy then sold her loan to a third-party debt collection agent – following which a default was applied on her credit report in relation to her account.

### **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 approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind when deciding Miss G's complaint.

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 Miss G could repay the loan in a sustainable way. 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.

Savvy was required to establish whether Miss G 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.

When Miss G applied for this loan, Savvy asked her for information about her finances and carried out a credit check. It also checked what she'd said about her salary using an online tool and recorded her minimum monthly income as £1,450. It allowed for her having to make monthly outgoings of approximately £812 – which included the payments Miss G was already making to service her existing credit commitments. Savvy calculated that Miss G should have approximately £443 left to spend *after* making the contractual monthly repayments for this loan.

Taking all this into account, these figures didn't suggest that Miss G would have any difficulty meeting the loan repayments for this loan.

I've seen the results of the credit check Savvy did at the time. As Miss G has said, these showed that she had used a lot of her available credit. Savvy saw that four of her credit cards were close to their credit limit and she had a mail order account that had slipped £88 over the £2,000 account limit just that month. She was also using her £250 bank overdraft.

But I think it's fair to say that the information Savvy had gathered tended to suggest that Miss G seemed to be managing her credit without any obvious signs that she had a serious

debt problem. 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 fair reasons not to lend. I don't think the amount of debt shown on Miss G's credit checks was excessive having regard to her income and her circumstances. Miss G wasn't currently involved in any sort of arrangement with creditors and bankruptcy wasn't flagged up. She had no active county court judgements registered and no *recent* defaults on her record.

I'd expect Savvy to decide Miss G's lending application based on the information it was reasonably entitled to rely on at the time. 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 Miss G might expect to see on her bank statements or her own credit check, including other short term loans, may not have been identified by a credit check done by Savvy when she applied for this loan.

In coming to my decision I've thought carefully about everything Miss G has said and I appreciate she feels strongly that Savvy should've known she was in financial difficulties at the time it lent to her. Miss G has offered to send me her bank statements to support what she says.

But I don't think it was unreasonable for Savvy to lend here – especially as there wasn't enough, in the information it had collected, to suggest Miss G wouldn't be able to repay the loan in a sustainable way.

And I don't think proportionate checks would've required Savvy to probe any more deeply into Miss G's finances or ask Miss G to prove what she was declaring (by requiring her to send in her bank statements for instance) or check other information sources to verify what she had told them (or omitted to say) about her financial circumstances.

I've carefully listened to the call recording with the underwriter who went through Miss G's income and expenditure details.

The underwriter questioned the purpose of the loan and Miss G said she wanted to clear three loans - there was some discussion about what the settlement figures would be - and she would use the remainder towards her credit card balances.

I appreciate that Miss G had hoped to borrow a larger loan for this purpose. But I think that the value of the loan Savvy worked out that Miss G could afford, compared to the scale of her debts, suggests that she could still have usefully applied the loan towards repaying enough debt to be worthwhile for her as part of a longer term plan to manage her debt more effectively.

I'm sorry that Miss G had a problem with debt and that repaying this loan has proved difficult for her. I accept that in reality Miss G's actual circumstances possibly weren't fully reflected either in the information she 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 when it made its lending decision. And, in this case, I don't think that Savvy did anything wrong – the loan amount it provided looked affordable based on the information it had gathered and there wasn't anything else shown in its checks that should've prompted Savvy

to decline the loan application altogether or carry out more in-depth checks before it agreed to lend. So I'm not upholding Miss G's unfair/irresponsible lending complaint.

I've thought carefully about whether Savvy acted towards Miss G in some other way that wasn't fair and reasonable. I've listened to the call recording when she phoned Savvy to discuss the options open to her to avoid further action following the default notice she had received. Miss G offered new payment terms that were agreed. On that basis Savvy said it could withhold the default if Miss G stuck to the payment terms she had proposed which would have led to the loan being cleared within a year or so. Subsequently, Savvy sold her account to a third-party debt collection agent. Shortly after that, a default was registered on her account.

I can completely understand why Miss G was anxious to avoid a further default on her credit file and I appreciate that she feels strongly about this aspect of her complaint. Savvy told Miss G that it would hold off putting on a default - and it did. It later seems to have made a business decision to sell her loan - which it was entitled to do - and a default was put on her account by the new debt owner.

So I haven't seen enough to say that Savvy was responsible for the default showing on her account or that it acted unfairly or unreasonably when it sold her account - or, looked at overall, that Savvy acted towards Miss G in any other way that wasn't fair and reasonable. And 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.

If Miss G wants to complain about the actions of the third-party debt collection agent she can do so - but this would be a new and separate complaint. To progress this, Miss G should first tell the third-party debt collection agent why she is unhappy about the action it took to register a default so it has an opportunity to explain. Hopefully this will lead to a resolution. But if this doesn't resolve her complaint, Miss G can then bring her complaint to this Service and we will investigate.

Miss G has raised several different complaint points over the course of this matter. If I have not referred to every point she's raised it's because I have nothing further I can usefully add to what our adjudicators have said already. I have concentrated on what I consider to be the main points that affect the outcome of his complaint.

I appreciate that my decision will likely come as a disappointment to Miss G and I'm sorry. But I hope my explanations help her understand why I've reached these conclusions.

I would just mention that Miss G is entitled to expect the new debt owner to treat her positively and sympathetically if she is continuing to experience financial difficulty.

I would encourage Miss G to provide details of her financial situation to the new debt owner if she still needs time to pay the outstanding balance on the loan.

And if Miss G would like help to manage her finances there's more information about how to get free debt advice on our website - or we can provide contact details if she gives us a call.

### **My final decision**

For the reasons given above, I don't uphold Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 24 September 2021.

Susan Webb  
**Ombudsman**