

## The complaint

Ms R has complained that Valour Finance Limited trading as Savvy.co.uk (Savvy) didn't carry out affordability checks. If it had done so, it would've seen she had a number of loans outstanding and a low credit score.

## What happened

Ms R took two loans from Savvy between June and September 2015. A summary of her borrowing, based on the information provided to us from Savvy can be found below:

loan number	loan amount	received date	repayment date	number of repayments	largest repayment
1	£800.00	03/06/2015	04/09/2015	12	£133.33
2	£750.00	07/09/2015	16/10/2016	18	£68.76

One of our adjudicators looked at Ms R's complaint. He didn't uphold her complaint. He said, Savvy had carried out proportionate checks and Ms R had clarified her credit file with it on two application calls. Overall, he thought it was reasonable for Savvy to have lent to Ms R.

It appears that Savvy agreed with our adjudicator's opinion.

Ms R disagreed and in summary she said had Savvy looked her credit file, it would've seen that she had another loan outstanding. And says a colleague at this service, on another complaint concluded at this time she didn't have any disposable income.

A different adjudicator responded to Ms R's concerns. They explained that Savvy did carry out a credit check, but this didn't show any adverse information that would've prevented it from lending to Ms R. While Savvy was aware of some other outstanding loans, in the adjudicator's view this didn't change the outcome of the case.

In relation to Ms R's complaint about another lender, the adjudicator explained that the complaint was upheld for different reasons, but Savvy had carried out an income and expenditure check.

Overall, the adjudicator's position didn't change. As no agreement could be reached the complaint 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was provided.

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 Ms R 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 Ms R. These factors include:

- the lower a consumer'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 Ms R could sustainably repay her loans – 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 their repayments sustainably if they're unlikely to be able to do so without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms R's complaint.

### *Loan 1*

When this loan was approved, Savvy asked Ms R about her income and she declared she had an income of £2,344 per month. This income was verified as Ms R provided it with copies of her wage slips. So, Savvy had a fairly good idea of Ms R's *actual* income.

Ms R also declared to Savvy that her outgoings were £1,981 per month, leaving a disposable income of £229.14 in which to make the payment of £133.33. Solely, based on this information Savvy could've believed Ms R could afford the loan repayments. As it was early on in the lending relationship, I don't think it was unreasonable for Savvy to have relied on the information she provided.

I've also listened to the call recording of the application process between Ms R and Savvy, where the income and expenditure is discussed, information around repaying a credit card and the hire purchase agreement as well as the previous loan that Ms R took that Savvy was aware of (one taken in March with a different lender).

To me, it's clear that Savvy was aware of other credit that Ms R had at the time, and it seems to have taken that into account when deciding the amount, it was able to offer her, as well.

Finally, Savvy appears to have obtained copies of Ms R's bank statements, for the period leading up to the loan being approved. Again, I've reviewed these, but I don't think there was quite enough in there to have alerted Savvy that Ms R may have been having financial difficulties. So, given what else Savvy knew from the phone call that it needed to do any more. The repayments still looked affordable for Ms R, based on the checks that it carried out.

For Ms R's first loan I think Savvy carried out proportionate checks which showed Ms R was likely to be able to afford the repayments she was committing to making. I also haven't seen any further information that shows its likely Savvy was made aware of any financial problems Ms R might've been having. Or anything that would've prompted it to investigate her circumstances further. So, I think it was reasonable for Savvy to rely on the information it obtained.

## *Loan 2*

Loan 1 was repaid much quicker than Savvy had anticipated, given the length of the credit agreement. Ms R then returned for loan 2, which was to be repaid over a longer term but she borrowed a smaller capital sum, this also meant Ms R's monthly repayments significantly reduced.

When loan 2 was granted Savvy carried out a similar level of checks as it did for loan 1. It asked for (and appears to have verified) her income and Ms R declared this to be £2,238 per month. So again, Savvy had an accurate idea of her actual income. Ms R was again asked about her outgoings, she declared these to be £1,898, which based on her income, would've left sufficient disposable income in which to be able to afford the repayment that she was committed to making.

For this loan, Savvy has been able to provide us a copy of the credit check results that it received. I've considered what Savvy saw. But overall, I don't think there was quite enough in these results to have alerted Savvy to any wider financial difficulties Ms R may have been having or that the loan was unaffordable.

As with loan 1, a telephone interview was carried out, a copy of this call has been provided, which I've also listened to. Again, like loan 1, the agent discussed the income and expenditure information with Ms R. It also queried some of the credit file information it saw – such as Ms R being over her credit limit on her credit card as well as a discussion about a payday loan the agent could see. The agent asked for evidence the payday loan had been repaid, which Savvy in the final response letter said it received. So, I don't think, taking everything that was discussed that Savvy would've thought Ms R couldn't have afforded this loan.

Finally, I understand Ms R had another complaint at this service, against another lender which was upheld. But based on the information she declared to Savvy about her income and expenditure and the additional phone calls and checks that Savvy carried out I think its checks were sufficient and these checks showed Ms R was likely to be able to afford the repayments she was committed to making.

So, I'm not upholding Ms R's complaint. I appreciate Ms R will be disappointed by the outcome, but I hope my explanation has been useful in explaining why I've reached the outcome that I have.

**My final decision**

For the reasons I've explained above I'm not upholding Ms R's complaint.

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

Robert Walker  
**Ombudsman**