

The complaint

Mrs M complains that Valour Finance Limited trading as Savvy.co.uk was irresponsible in its lending to her.

What happened

Mrs M was provided with a £750 loan by Savvy.co.uk in June 2017. The loan was repayable over 12 monthly instalments of £125. Mrs M says that at the time of the loan she had other debts outstanding and that adequate checks weren't carried out before the loan was provided.

Savvy.co.uk issued a final response letter in February 2021. It didn't uphold Mrs M's complaint. It said that a full income and expenditure assessment was carried out before the loan was provided and that Mrs M's monthly income was verified as being £1,700. It says her expenses including other credit commitments were £1,294 leaving enough disposable income to make the loan repayments and have funds remaining. Savvy.co.uk said a credit check was carried out and the reason for another recent loan was questioned. It says that based on its checks the loan was affordable.

Mrs M didn't agree with Savvy.co.uk's response and referred her complaint to this service.

Our adjudicator upheld this complaint. He thought that the information gathered from the credit search showed Mrs M was having problems managing her money. He said she had defaults totalling around £16,000 and that two defaults were recorded in May 2017 and two in June 2017. He thought that on the affordability assessment call further questions should have been asked about the recent defaults. Given the information received he thought that it was unlikely Mrs M would be able to sustainably repay the loan.

Savvy.co.uk didn't agree with our adjudicator's view. It said that reference to four accounts defaulting in 2017 was incorrect and that the defaults occurred in 2014. It said that as the defaults were historic it had acted reasonably by not questioning these further. It said it believed its checks before the loan was provided were proportionate and noted that Mrs M made her repayments on time and it wasn't advised at any point during the loan that Mrs M was struggling financially.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Mrs M was only provided with one loan by Savvy.co.uk. Before the loan information about her income and expenses was gathered. I listened to the telephone call on which the affordability assessment took place and found it reasonable that the information gathered was relied on. Mrs M's income was verified and based on the information she provided the loan appeared affordable.
- A credit search was carried out. This listed defaulted accounts. Our adjudicator said in his view that two accounts defaulted in May 2017 and two in June 2017. However,

Savvy.co.uk said that the defaults were not from 2017 but instead from 2014 which was when the accounts were noted as being finished. It contacted the credit reference agency and having considered the response provided I thought it more likely than not that the accounts defaulted in 2014 and were therefore historic. Based on this, I found the checks were reasonable and as the loan appeared affordable I did not uphold this complaint.

Neither party provided any new information in response to my provisional 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.

As I explained in my provisional decision, 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.co.uk 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 Mrs M could repay the loan 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.

I think that it is important for me to start by saying that Savvy.co.uk was required to establish whether Mrs M could sustainably repay her 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 Mrs M's complaint.

As I set out in my provisional decision, without further evidence to show that Mrs M had defaults recorded shortly before the loan I find it more likely than not that the defaults on her credit file were historic and based on this I think the checks carried out before the loan was provided were reasonable.

As the checks suggested the loan was affordable for Mrs M I do not find I have enough evidence to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against Valour Finance Limited trading as Savvy.co.uk.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 September 2021.

Jane Archer
Ombudsman