

The complaint

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

What happened

Mr L was provided with a loan for £1,000 by Savvy.co.uk in August 2020. The loan was repayable over 12 months. He says at the time of the loan he had several other debts outstanding including payday loans. He says he had to borrow to repay the loan and his credit file has been damaged. Mr L explained that the stress of the loan and Savvy.co.uk's actions have affected his health.

Savvy.co.uk said that before the loan was provided it discussed Mr L's income and expenses and clarified these where necessary. It carried out an automated income check to verify his income. It says that the credit check showed all his active accounts were up to date and that the amount included in its assessment for other credit commitments was accurate. It says its checks were proportionate and these suggested the loan was affordable for Mr L.

Our adjudicator didn't initially uphold this complaint, but after further consideration she thought the checks carried out before the loan was provided weren't adequate given the size and term of the loan. She thought a full review of Mr L's financial circumstances should have taken place to ensure the loan was sustainably affordable. She thought that had this happened, Savvy.co.uk would have realised that Mr L had several other debts outstanding and had accounts in arrears. Given this she didn't think the loan should have been considered sustainably affordable for Mr L.

Savvy.co.uk didn't agree with our adjudicator's view. It reiterated that it had completed an automatic income validation for Mr L to ensure the income figure he had provided was accurate as well as gathering other information through the call. It said it was reasonable to rely on the information it gathered through its credit check and that our adjudicator had initially said this wouldn't have raised concerns about the lending. It said its checks didn't show that Mr L was in financial difficulty and it didn't think further checks – such as getting copies of bank statements - were required.

My provisional conclusions

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

- Mr L was only provided with one loan by Savvy.co.uk and so it may have been reasonable to accept that less thorough checks were reasonable at this stage. However, it was important to assess the information provided through the checks to see whether further checks were required.
- Before the loan was provided, Savvy.co.uk spoke to Mr L and went through his income and expenses. I listened to the call and he confirmed his employment income and was asked whether he had been put on furlough which he confirmed he hadn't. He explained that he had a property without a mortgage and that he had included

£250 as rent but this was for bills. Mr L then provided further details about his other bills, transport and credit commitments.

- Savvy said it verified Mr L's income, but it didn't provide any details of this. But based on other information I saw I thought income checks would have confirmed the information Mr L had provided. Based on the income and expenditure information I thought it reasonable that the loan was considered affordable.
- A credit check was carried out. This showed that Mr L had another unsecured loan outstanding at the time and four credit cards. While his credit cards were all within the limits at the time, he had been over his limit in some months leading up to the loan. The credit check showed Mr L had made previous use of short term loans however the results didn't show any of these outstanding at the time.
- The loan repayments were £167 compared to his monthly income of £1,900 and these repayments combined with Mr L's other credit commitments shown in the credit check didn't suggest he was paying a significant portion of his income in debt repayments.

Overall, based on repayment amounts compared to Mr L's income and the information from the credit check, I didn't think there was enough to say that further checks were required at this time. As the checks suggested the loan was affordable, I didn't find I could say Savvy.co.uk shouldn't have provided the loan.

Mr L didn't agree with my provisional decision. He said that he had been refused loans by Savvy.co.uk a few months before due to adverse information on his credit file. He says he was never asked if he had the mental capacity to form a legal relationship and said his mental health conditions made it hard for him to manage his money. He said his credit file would have shown arrears on another short term loan, a history of short term loans, his bank account in overdraft, and his credit cards at the limit.

Mr L said that a telephone call wasn't a sufficient check as individuals desperate for loans would say what was needed to get the funds. He says he was trapped in short term loan debt for a long period of time before the loan from Savvy.co.uk was provided and this should have been taken into account. He said he still didn't have the mental capacity to enter into legal relations with a company.

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 set out 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 Mr L 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've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr L's complaint.

I appreciate Mr L's honesty about his mental health conditions, and I am sorry to hear that how he has been affected. While I note his comments about his ability to enter into the agreement, having looked through the information gathered at the time I do not find there was anything that should have raised concerns which meant Savvy.co.uk should have realised Mr L didn't have capacity to enter the agreement.

I appreciate that Mr L doesn't think that the call was enough to assess the affordability of the loan. In this case Savvy.co.uk says that it cross checked Mr L's income and while evidence of this hasn't been provided I find that further checks would have confirmed his monthly income of around £1,900. Given this was Mr L's first loan and noting the repayment amounts compared to his income, I think it was reasonable at this stage to rely on the information Mr L provided. As this didn't raise concerns about the affordability of loan I do not think that further checks were required.

A credit check was carried out and I have looked at the results received. While I note the comments Mr L has made, the results didn't suggest that Mr L wasn't managing his credit. Considering the amount he needed to repay for his other credit commitments at the time and the amount due under the loan with Savvy.co.uk I do not find that this suggested the repayments wouldn't be affordable.

I understand my decision is a disappointment to Mr L but in this case I do not find that I have enough to say that the loan shouldn't have been provided.

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 Mr L to accept or reject my decision before 21 December 2021.

Jane Archer
Ombudsman