

## The complaint

Mr G complained that Valour Finance Limited trading as Savvy.co.uk ('Savvy') lent to him irresponsibly.

## What happened

Mr G took out a loan with Savvy as follows:

loan	start date	monthly instalments	loan amount	instalment amount
1	1/10/2018	6	£300	£94.70

Mr G said that Savvy should never have given him this loan because if it had looked at his finances it would have seen his mounting pay day debts and worsening financial situation. Mr G was concerned that Savvy didn't ask to see his payslips or bank statements and felt this was irresponsible lending..

One of our adjudicators investigated this loan. In brief summary, he thought:

- given the loan amount, what was apparent about Mr G's circumstances at the time and his history with the lender, it wouldn't have been proportionate to ask Mr G for the amount of information needed to show the lending was unsustainable
- there wasn't anything in the information Mr G provided, or the information Savvy should've been aware of, which meant that Savvy should've taken steps to verify the information Mr G had declared.
- this single loan, the amount it was for and the period of time he was borrowing meant Mr G's loan history, on its own, wasn't enough to suggest to Savvy that he might've been experiencing underlying financial difficulty.

Overall, our adjudicator felt the loan had been fairly provided and so he didn't uphold Mr G's complaint.

Mr G disagreed with our adjudicator's view. Mainly he said he wanted to contest our adjudicator's view as he didn't feel it could be fair to lend to people with county court judgements.

## 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 general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide this complaint.

I'm sorry Mr G feels that our adjudicator didn't reach a fair outcome. I'd like to reassure Mr G that I've looked at the complaint afresh – and I've independently reached the same conclusions as our adjudicator. I'll explain why I say this.

Savvy provided Mr G with a high-interest loan intended for short-term use and it needed to make sure that it didn't provide the loan irresponsibly.

In practice, this means that it should have carried out proportionate checks to make sure Mr G could repay the loan in a sustainable manner.

There's no set list of checks that Savvy had to do. 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 G'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 carefully considered all of the arguments, evidence and information provided and what this all means for Mr G's complaint.

I've listened carefully to the call recording that Mr G had with Savvy when he applied for this loan and he provided information about his financial situation and answered questions it asked him.

Before lending to Mr G, Savvy asked Mr G for information about his financial situation. Savvy did its own electronic checks to verify the amount of his monthly pay. It asked him about his outgoings, including what he was spending on other loans. 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 also did a credit check which showed Mr G had recently taken out a credit card – Mr G said this was for a holiday and said he'd just paid it off. Savvy also saw that he'd been over his account limit by a small amount and mentioned this could lead to additional interest costs.

Savvy gathered information that enabled it to work out how much money Mr G would have available to spend after paying his normal monthly outgoings – it calculated that his monthly surplus was well over £1,000. So it was satisfied that the loan repayments for this loan should've been comfortably affordable for Mr G.

Looking at the monthly loan repayment amounts and the loan term, and the information Savvy had on record for Mr G, including what Mr G told Savvy, this didn't point to the loan being unaffordable for Mr G.

I'm sorry that Mr G had a problem with debt and that making the repayments on this loan turned out to be difficult for him. I accept that in reality Mr G's *actual* circumstances might not have been fully reflected either in the information he provided, or the other information Savvy obtained.

But we'd expect Savvy to decide Mr G's lending application based on the information it was reasonably entitled to rely on at the time – in other words, what we would expect Savvy to find out from doing proportionate checks at the time of the loan application.

I've thought carefully about what I think proportionate checks should have involved when Mr G applied to Savvy for this loan.

As this was the first loan Mr G had taken out with Savvy, Mr G didn't have any track record with the lender that should've alerted Savvy to any underlying money problems.

It wasn't an unusually large loan for someone in Mr G's financial situation. It looks like his take home pay was around £1,600. And Mr G was planning to pay the loan back over 6 months – which, broadly speaking, in Mr G's circumstances was a reasonably foreseeable period of time when he might expect his finances to remain stable.

I think there were some indications that Mr G's application to borrow this expensive loan was potentially at odds with what he had told Savvy about his financial situation. But I don't think it was unreasonable for Savvy to accept what he said at face value and without doing further checks to verify what Mr G had said.

And I don't think it was unreasonable for Savvy to lend – especially as there wasn't anything obvious, in the information it had gathered, to suggest Mr G wouldn't be able to repay the loan in a sustainable way. Although Mr G feels strongly that Savvy should've done more or better checks, I don't think proportionate checks in these circumstances would've required Savvy to probe any more deeply into Mr G's finances or ask Mr G to prove what he was declaring or check other information sources to verify what he had told them (or omitted to say) about his financial circumstances.

In coming to this decision I've taken into account what Mr G has said about his county court judgements (CCJs). Whilst there were two CCJs shown on Savvy's credit checks and these were serious black marks on his credit file, they dated back more than two years. One of them had been satisfied early on in 2017 so it appeared he'd made efforts to repay that debt. I don't think this credit history would've revealed any useful information about Mr G's current financial situation or that it suggested he was currently in financial difficulty. And the defaults shown, whilst concerning, weren't enough in my view to have prompted a responsible lender to have declined this loan application. These also dated back a number of years. I can understand why Savvy might reasonably have thought that taking more active steps to repay these might not have been a spending priority for Mr G when it looked like they weren't a pressing financial problem for him and would soon stop being reported on his credit file in any event.

It isn't unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or even sometimes an impaired credit record – and these things wouldn't necessarily be reasons to prompt a responsible lender to decline a loan application that otherwise looked affordable. In this case, I don't think that Savvy did anything wrong in deciding to lend this loan to Mr G. So I don't uphold his complaint.

I understand that what I've said will come as a disappointment to him. But I hope that setting out the reasons as I've done will help explain how I've reached my decision.

**My final decision**

For the reasons I've given, I've decided not to uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 June 2022.

Susan Webb  
**Ombudsman**