

## **The complaint**

Mr G complains Valour Finance Limited trading as Savvy.co.uk (Valour) gave him a loan he couldn't afford to repay. Mr G explained at the time he was granted this loan he had a number of outstanding credit card accounts as well as high-cost loans in default.

## **What happened**

Mr G took one loan from Valour for £900 on 24 January 2022. Mr G was due to make 12 monthly repayments of £150. Mr G has had some difficulties repaying this loan and an outstanding balance remains.

Following Mr G's complaint Valour wrote to him with a final response letter on 14 March 2022. Valour explained it had carried out a proportionate check and these checks showed it that Mr G had a sufficient amount of disposable income to afford the loan repayments he was committed to making.

Unhappy with this response, Mr G referred his complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator. She concluded Valour made a reasonable decision to lend the loan based on the information Valour gathered about Mr G's income and expenditure as well as the credit search results which showed the loan repayments to be affordable.

Our adjudicator accepted that Mr G had taken other loans from other providers, but these didn't appear in the credit search results Valour received – the adjudicator suggested this may have been because of some of the loans had been taken out at a different address.

She also didn't think Valour needed to start to verify the information Mr G provided which meant she didn't think it needed to take a look at his bank statements.

Mr G said he didn't agree, and he asked for an ombudsman's decision. Mr G said Valour should've checked his bank statements and he had other money being received into his account which wasn't his income. Mr G also said the credit checks were insufficient and so the lending was irresponsible.

Valour didn't respond to the adjudicator's assessment.

As no agreement has been reached, the case has been passed to me for a 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.

We've set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Valour had to assess the lending to check if Mr G could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Valour's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr G's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Valour should have done more to establish that any lending was sustainable for Mr G. These factors include:

- Mr G having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr G having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr G coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr G.

Valour was required to establish whether Mr G could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr G was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr G's complaint. Having done so, I'm satisfied Valour carried out proportionate checks which showed it that Mr G could afford the loan repayments, I've explained why below.

I understand from Valour that Mr G has raised a separate complaint about the setting up of an affordable repayment plan and working with Mr G in order to pay down the balance. Once a final response letter has been received, Mr G can, if he wishes, bring that other complaint to the Financial Ombudsman Service.

As another complaint appears to have been raised this decision will only focus on whether Valour did all it ought to have done before advancing the loan.

Valour has shown that as part of the affordability assessment it asked Mr G for details of his income and expenditure. Mr G on the verification telephone call confirmed his monthly income as being £4,500 – which is what was submitted as part of his application. Valour at the time, was entitled to rely on this figure as it didn't have anything to show that this was likely to be an inaccurate amount.

Mr G declared monthly expenditure of £3,925 and this was again confirmed on the telephone verification call with the Valour agent. This included repayments to other creditors of around £1,200 per month which Valour discovered from its credit search. Based on the checks carried out, Valour believed Mr G had monthly disposable income of £575 which was more than sufficient for it to reasonably believe he could afford the commitment of £150 per month.

Before this loan was approved Valour also carried out a credit search and it has provided the Financial Ombudsman Service with a copy of the results it received. I want to add that although Valour carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Therefore, it's entirely possible that the information Valour received may not entirely reflect the information Mr G has provided in the credit report he has sent to us. There could be for a number of reasons for this, such as Valour only asking for certain pieces of information such as the number of active credit accounts and/or Mr G having opened new accounts that wouldn't yet appear in the results provided to Valour. But what Valour couldn't do, is carry out a credit search and then not react to the information it received – if necessary.

So, although Mr G has provided screen shots of his full credit report, I'm not, considering them, because Valour did a credit search and has provided the results, so I can see what it actually saw before it approved the loan. In my view, Valour was also entitled to rely on the results it was given as it didn't have anything else to suggest the results were in anyway inaccurate.

So, I've taken a look at the results to see whether there was anything contained within the results which may have prompted Valour to have carried out further checks – such as reviewing bank statements or other documentation or possibly have declined Mr G's application.

Having reviewed these results, there isn't anything in the results, that I can see that would've led Valour to have carried out further checks. For example, for Mr G's active accounts there weren't any late payment or default markers. The only adverse marker was one high-cost credit account which was one month in arrears in June 2018. However, this was too far removed from the loan start date for Valour to think Mr G was having problems especially considering there were no other adverse payment markers recorded on the credit check results.

While I know Mr G was advanced a £5,000 loan by a high-cost credit provider on 5 January 2022, around three weeks before this loan was advanced, this loan didn't appear in the credit check results provided to Valour and therefore it wouldn't have known about it. And that is not unusual as new accounts can take several weeks to appear on a credit record.

Valour did know that Mr G had two current accounts and six credit card accounts – two of which had been opened in November 2021. However, these accounts were within their limits and there weren't any obvious repayment problems.

There was also nothing else in the information that I've seen that would've led Valour to believe that it needed to go further with its checks – such as verifying the information Mr G had provided.

So, while I can see that Mr G has provided copies of his bank statements, I don't think Valour would've needed to have made checks to the extent that it would've been prompted

to view these. Given this was the first loan and for £900 with a relatively modest term length, I think it would've been disproportionate for these to have been considered.

There also wasn't anything else to suggest that Mr G was having financial difficulties or that the loan repayments would be unsustainable for him.

Given it was a new lending relationship, I think it was reasonable for Valour to have relied on the information Mr G provided about his income and expenditure figures which showed he had sufficient disposable income to afford the repayments he was committed to making. In addition, I do think it was reasonable for Valour to have relied on the results it received from the credit reference agency.

I'm therefore not upholding Mr G's complaint. There is an outstanding balance due, and I would remind Valour of its regulatory obligation to treat Mr G fairly and with forbearance – if necessary.

### **My final decision**

So, for the reasons I've explained above, I'm not upholding 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 16 February 2023.

Robert Walker  
**Ombudsman**