DRN-4017732

The complaint

Mr G complains that Valour Finance Limited, trading as Savvy.co.uk, lent to him irresponsibly.

What happened

Mr G was approved for one loan on 3 April 2020. It was for £800 over 12 months and the repayments were scheduled to be £133.33 each month. Valour has informed us the loan has been repaid.

Mr G raised his complaint with Valour in June 2022 and Valour issued him with its final response letter (FRL) dated 1 August 2022. Valour explained that it had carried out suitable affordability checks. Mr G had two jobs – one which he had confirmed with Valour would be considered a job designated as being a job '*classed as essential'* through the Covid 19 national pandemic crisis (which had commenced in March 2020). Mr G had sent to Valour a payslip for his main full time employment and one from his second employer plus his furlough letter from that part-time employer.

After Valour had explained in its FRL why it did not consider it needed to uphold Mr G's complaint he referred it to the Financial Ombudsman Service.

One of our adjudicators looked at Mr G's complaint and he thought that Valour had carried out the appropriate and proportionate checks. He did not think Valour needed to do anything to put things right for Mr G.

Mr G responded by sending in many sets of copy bank account statements and explained that he had a lot of outstanding debt at the time. He said he was in a '*payday cycle'*. So, he thought that the £800 ought never to have been approved for him.

The unresolved complaint was passed to me to decide.

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 this type of 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've 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.

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 loans 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, 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. And I've decided not to uphold his complaint. I give my reasons in this decision.

Valour carried out checks which were proportionate and had done additional ones to address the issue of the closure of many businesses and establishments due to the national pandemic lockdown which had commenced in March 2020.

There had been a recorded telephone conversation on 3 April 2020 which I have listened to. That was between Mr G and the Valour representative. She confirmed several elements of his application with him and had carried out an income verification check while he was on the telephone. She had needed to see one of his payslips. Mr G appears to have sent in both payslips for March 2020. The Valour representative had carried out a credit search and Mr G had confirmed that he lived at home with his parents, that he contributed £150 towards the running costs but did not specifically pay any bills such as council tax, utilities, TV licence or television. He also had his own modest living costs, did not run a car, used the train to get to work and had a phone.

Valour said in its FRL to Mr G:

> *'In summary, very firm evidence has been summarised within this response to confirm that you were able to afford the repayments on the loan issued and I am more than satisfied that these checks meet regulations in place.'*

Valour's credit search had revealed that Mr G was committed to paying around £86.20 for a couple of loans and a telephone and on the recorded call I heard Mr G confirm that his credit costs were about £90 a month. Valour has said – *'The assessment demonstrated a total monthly income of £1,373.76 and a total monthly expenditure of £596.20, including your existing debt repayments. This means that your available monthly surplus was £777.56.'* And I agree with what it saw and that it was based on proportionate checks.

I've noted Mr G's submissions about him having much more debt and expenditure than that. But the credit search Valour carried out was an appropriate one and I've reviewed those results. Valour did not need to carry out a credit search, but having got one it appears to have utilised the information in the right way. Any recent loans – meaning loans Mr G may have taken out before applying to Valour – may not have registered on the credit file when Valour carried out the search. And I note that Mr G had several accounts which had overdrafts but having and using an overdraft is not necessarily a reason not to approve a loan. And on the details Valour saw at the time, it would have calculated that Mr G would have been able to afford the overdraft fees as well as its own loan repayments.

I'm not persuaded to find in favour of Mr G based on the fact it didn't see on its credit search additional loans about which Mr G appeared to know and which he failed to inform Valour. And his accommodation status meant that it was costing Mr G something – of that there's no doubt – but Mr G was not exposed to the risk of not being able to pay priority bills as they were paid for by his parents and he contributed £150 a month. So that would have been a factor Valour would have noted and added into the overall picture when assessing his creditworthiness.

And I would not necessarily have expected Valour to have asked for and reviewed Mr G's bank account statements. It had no reason to have been alerted to any financial concerns from the research and assessment it had already carried out. And so, to have asked for bank account statements likely would have been disproportionate.

I do not uphold Mr G's complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 June 2023.

Rachael Williams
Ombudsman