

The complaint

Mrs M, through her representative, complains that Valour Finance Limited, trading as Savvy.co.uk (Valour) lent to her when she could not afford it.

What happened

Mrs M took one loan with Valour in November 2018 for £550. The interest payable was £549.92 and so the total to repay was £1,099.92 over 12 months at £91.66 each month. It was repaid early on 8 January 2019 after winning on a lottery game.

Mrs M complained to Valour in August 2022, her representative received its final response letter (FRL) in September 2022 and as Valour had not upheld her loan the complaint was referred to the Financial Ombudsman Service later the same month.

One of our adjudicators reviewed the evidence from both parties which included the application done by Mrs M on-line, reviewed the credit search Valour had got at the time and listed to the recorded call between her and a Valour representative. During that call Mrs M verified matters in her application form and explained a July 2018 loan she'd taken and a July 2018 credit card she'd got and had used. Mrs M was asked if she had any loans with a few specific lenders and the reason for that was because the Valour credit checks may not have covered those payday loan lenders and so Valour wanted to check that out.

Our adjudicator did not think that Valour had done anything wrong and did not uphold her complaint. Mrs W's representative gave no reasons or any additional evidence but asked for it to be reviewed by an ombudsman. It had earlier sent to us copy bank account statements for Mrs M for the months leading up to her applying for the loan. All of which have been reviewed by me.

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 Mrs W could afford to pay back the amount she'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 Mrs W'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 Mrs W. These factors include:

- Mrs W 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);
- Mrs W 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);
- Mrs W coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

My view is that none of these bullet points applied to Mrs W's situation as she had declared an income of around £2,682 a month after tax which Valour had verified and I do not consider that to have been a low income. Plus, this was a first loan for a relatively modest sum over a relatively modest term for an unexpected bill.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mrs W. But a pattern would not have developed here as Mrs W took one loan only.

Valour was required to establish whether Mrs W could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mrs W was able to repay her 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, 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 Mrs W's complaint. I've decided not to uphold her complaint and I explain here.

Valour carried out proportionate checks as it verified her income, checked her credit file which did not show any elements to prompt it to be unduly concerned. There was nothing there to indicate that Mrs M was in financial difficulties or had been falling behind in her payments. The adverse entries (defaults) related to accounts were well before she applied for this one and a lender such as Valour would have been used to lending to customers with some adverse credit history.

The telephone call Mrs W had with Valour in 2018 was recorded and we have received a copy of that call which I have listened to. Mrs W confirmed several elements of the application and explained some earlier loans /credit card use.

The income and expenditure assessment Valour carried out indicated that Mrs W had enough disposable income to repay the £91 a month.

Mrs W has sent to us her bank account statements. Although she has not explained her spending patterns to us I have reviewed them and I can see that there were transactions

which related to betting and gaming/gambling. But, it would have been disproportionate for Valour to have reviewed her bank account statements for this loan and so unless Mrs W informed Valour of these spending habits then it would not have known, and I would not have expected it to have known, of them.

Reviewing the information Mrs W gave to Valour I can see that she said '£0' spend on 'Gambling/lottery/scratch cards'.

In all the circumstances I have decided that I do not uphold Mrs W'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 Mrs M to accept or reject my decision before 21 July 2023.

Rachael Williams
Ombudsman