DRN-4109743

The complaint

Mr B complains that Valour Finance Limited, trading as Savvy.co.uk ("Valour"), lent to him when he could not afford it.

What happened

In March 2022 Mr B was approved for one loan of £700 repayable over eight months at just over £168 each month commencing April 2022. The loan has been settled.

In late September 2022 Mr B registered his complaint with Valour. I have seen a copy and it was comprehensive in its submissions. Mr B did say that he may not have mentioned all his debts when he applied for the loan. Mr B sent evidence to Valour of his gambling habit which was apparent from the bank statement entries he sent to Valour. He said that reasonable checks would have shown six live credit agreements at the time the loan was issued to him which included loans and credit cards. Mr B said to Valour:

> *'They should have asked for a verification of the expenditure due to the adverse information on my credit file (asked for a bank statement for example). Had they carried out these checks, they would have likely seen the extent of my gambling.'*

Valour issued Mr B with its final response letter (FRL) in November 2022 and listed his income of around £2,100 a month plus his expenditure details which were set out in a table and I do not duplicate that here. Valour was aware he had credit commitment costs of £719 each month. Still, it considered the loan affordable for him and it did not uphold his complaint.

Mr B referred his complaint to the Financial Ombudsman Service in December 2022 and one of our adjudicators considered the details. He did not think that Valour had lent to him irresponsibly. Mr B asked for an ombudsman to review it.

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 B 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 B '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 B. These factors include:

- Mr B 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 B having many 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 B 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 Mr B's situation as he had declared an income of around £2,100 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.

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

Valour was required to establish whether Mr B 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 B 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, 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 B 's complaint. I've decided not to uphold his complaint and I explain here.

Valour carried out proportionate checks as it verified Mr B's income and checked his credit file which did not show any elements to prompt it to be unduly concerned. There was nothing there to indicate that Mr B was in financial difficulties or had been falling behind in his payments. No defaults had registered against his accounts. It showed no adverse entries such as late payments, any insolvency issues or matters such that Valour ought to have been alerted to any concerns.

The telephone call Mr B had with Valour in March 2022 was recorded and we have received a copy of that call which I have listened to.

Mr B confirmed several elements of the application and explained his income and expenditure. Valour had verified his income as £2,100 each month. Mr B has confirmed that and so there's no dispute about his income when he applied for the loan.

During the call with the Valour representative Mr B confirmed that he was single, working full time, had no dependents or child-care or child maintenance costs. He rented his home and the rent included his Council Tax and utility bill costs. He paid money for travel and a modest amount for a telephone. He spent about £54 each month on train travel for work. Mr B was asked if he spent anything on gambling or the lottery and he replied 'no'.

The Valour representative had carried out checks while Mr B was on the telephone and Valour was aware he spent around £719 a month on credit commitment costs. Mr B had taken a payday loan in January 2022 so the representative wanted to know a little more about that debt. Mr B explained he'd just paid that off recently and it was for a cost related to his brother's wedding. The presence of a payday loan on Mr B's credit history would not have been a likely reason for Valour to refuse the loan.

The income and expenditure assessment Valour carried out indicated that Mr B had enough disposable income to repay the £168 a month. It said in its FRL: '*The assessment demonstrated a total monthly income of £2100.00 and a total monthly expenditure of £1599.00, including your existing debt repayments. This means that your available monthly surplus was £501.'*

Mr B has explained to Valour and to us that he had a gambling issue and his summary that he spent over a £1,000 each month certainly indicates a lot was spent. But it would not be expected that Valour would know of this, or ought to have known of this.

The checks Valour carried out for a new customer applying for a £700 loan were proportionate and therefore within the regulations which applied. And it would have been disproportionate for Valour to have asked for and reviewed Mr B's bank statements or for me to expect it to have done that. Without seeing the bank transactions then I do not see how Valour would have known of the gambling costs unless Mr B had told it. And the evidence points to the fact he told them he spent no money on gambling or the lottery.

In all the circumstances I have decided that I do not uphold Mr B'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 B to accept or reject my decision before 8 September 2023.

Rachael Williams
Ombudsman