

The complaint

Mr C, through his representative, complains that Valour Finance Limited, trading as Savvy.co.uk ("Valour") lent to him irresponsibly.

What happened

Mr C took two loans with Valour and a summary of the borrowing is in this table here:

| Loan | Approved | Amount | Monthly Repay | Repaid |
|------|-----------------|--------|---------------|----------------------------|
| 1 | 13 January 2022 | £400 | 6 x £121.53 | 13 May 2022 |
| 2 | 23 May 2022 | £700 | 8 x £175 | Due to end 31 January 2023 |

Mr M's representative submitted his complaint when the loan 2 was still within its loan agreement term. The last instalment was due to be paid on 31 January 2023.

Valour issued its final response letter (FRL) in which it explained all it had done to check elements of Mr C's finances before approving the loan, which included telephone calls with Mr C in January 2022 and May 2022. Copies of those recorded calls were forwarded to us. Mr C's profession meant that most of his living costs were deducted from his wages and so the money he received in his hand – around £1,400 a month – was after his housing and food costs had been removed. His parents' home was the one he used for a home UK address and where he was based for correspondence purposes, but his job meant he was often abroad.

Valour did not uphold his complaint about either of the loans and so Mr C's representative referred it to the Financial Ombudsman Service. One of our adjudicators looked at all the information and evidence sent by both parties and thought that Valour had done all that would have been expected of it. He did not uphold the complaint.

Mr C's representative has said it did not agree but gave no reason why and sent in no additional evidence. It asked for an ombudsman to review the complaint.

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 C could afford to pay back the amounts 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 several different things, such as how much was being lent, the size of the repayments, and Mr C'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 C. These factors include:

- Mr C 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 C 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 C 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 C. But a pattern would not have developed here as Mr C took two loans only.

Valour was required to establish whether Mr C could *sustainably* repay the loans – 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 C 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 C's complaint. I've decided not to uphold his complaint and I explain here.

I think that Valour carried out proportionate checks as it verified his 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 C was in financial difficulties or had been falling behind in his payments. Mr C had no open loan accounts at loan 1 and his main credit agreement appeared to relate to motor insurance which was costing about £279 a month.

The telephone calls Mr C had with Valour in January 2022 and in May 2022 were recorded and we have received a copy of those calls which I have listened to. Mr C confirmed several elements of the application and explained some accounts and credit card use. These demonstrate how particular and how detailed Valour were on those calls.

The income and expenditure assessment Valour carried out indicated that Mr C had enough disposable income to repay the £121 a month for loan 1.

On the call for loan 2, Mr C was asked about a 'bounced back' payment on 31 March 2022 for the first Valour loan. Mr C checked his bank immediately (while he was on the telephone) and explained that when he gets paid he transfers money to the other account out of which the payment for the loan was due to be made. He had noticed at the time it had failed as he had not paid the money over to that account but then he paid the Valour loan 1 instalment on-line manually. I cross-referenced this with the loan 1 repayment history which appeared

on Mr C's personal credit file (to which I refer later in this decision) and it had not registered as a late payment and so Valour clearly did not treat it as such.

On that second call, Mr C was asked about being slightly over his credit limit on one of the credit cards. It had a balance of £258 on a £250 limit and Mr C said it was a supermarket 'pay at pump' issue which satisfied the Valour representative.

Mr C had just moved address and so the Valour representative asked for two documents to prove residency. Mr C could send that immediately as both his bank statements would have the new address. So, loan 2 was approved subject to those documents being sent in.

Mr C's representative has sent to us a personal credit file report for Mr C dated November 2022 and the two loans taken with Valour are registered on there. Neither had any repayment issues and as of November 2022 loan 2 was being paid down in accordance with the terms of the agreement. A few more repayments were due. I assume that it has been paid off now but I need not ask for that information from Mr C or from Valour as what I was asked to review was the lending decision which for loan 2 was May 2022. I have all the information I need to make that assessment.

Although I have reviewed Mr C's personal credit file I have relied on the credit searches Valour carried out in January 2022 and May 2022 as those provided to it the information on which it relied when making its lending decisions. So, Mr C's file was useful for background information, but that was all I utilised it for.

Overall, I can see that Valour carried out proportionate checks and Mr C was not overindebted. The creditworthiness assessment Valour was required to carry out demonstrated to it that Mr C could afford to repay the instalments. There was no other information Mr C told Valour or which Valour discovered in its own research which indicated Mr C was in an insolvency situation or was having financial difficulties. I do not uphold the 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 C to accept or reject my decision before 20 September 2023.

Rachael Williams
Ombudsman