

The complaint

Miss S, through her representative, complains that Valour Finance Limited, trading as Savvy.co.uk, lent to her irresponsibly.

What happened

Valour has no records due to the passage of time as the loan was approved in 2015 and the complaint was made in 2022. One of my colleagues determined it to be within our jurisdiction. So, the investigation could start but there's very little information from either party and none from Valour.

Miss S' representative has put in its letter of complaint to Valour dated 9 June 2022, a copy of which has been sent to us, that Miss S took one loan in October 2015.

Using what information we had from Miss S' representative plus 80 pages of her copy bank account statements then our adjudicator reviewed those and could see that Miss S had two sets of money credit her bank account from Valour – so it looked like two loans.

- Loan 1 for £200. This was taken on 1 July 2015. I am unable determine the length of this loan, but I can see from Miss S' statements she paid around £66.00 in July 2015, August 2015 and September 2015
- Loan 2 was taken on 22 October 2015. The amount that came into Miss S' account was £336.52. She made 12 monthly payments of £59.32.

Our adjudicator included this information in the view he sent to both parties. His view was that he could not determine what it was that Valour had done before approving the loan, but he did think that as a minimum it would have asked Miss S what her monthly income after tax was. He could see from the bank accounts that Miss S was regularly receiving £1,200 a month.

And our adjudicator thought that the number of loans Miss S took - only two - the amounts they were for and the period she was borrowing meant her loan history, on its own, was unlikely to have shown Valour Miss S might've been experiencing underlying financial difficulty.

So, he did not uphold Miss S' complaint and her representative disagreed. It sent no more information as to why it disagreed. It did not dispute the factual loan list our adjudicator had created from what he'd discovered in the bank account statements even though that contradicted its own submissions when sending the complaint – it had said one loan only.

So, Miss S's representative appears to have accepted that there were two loans in 2015. We have not heard from Miss S directly. So, I have proceeded on this footing.

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 Miss S could afford to pay back the amounts 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 Miss 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 Miss S. These factors include:

- Miss S 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);
- Miss S 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);
- Miss S 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 Miss S. But a pattern would not have developed here as Miss S took two loans only.

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

The information provided by Miss S' representative was brief and it appears different to that which our own adjudicator established – two loans not one. Miss S' representative had put in its letter of complaint to Valour dated 9 June 2022, a copy of which has been sent to us, that Miss S took one loan. It had an opening balance – which does not necessarily mean the capital sum borrowed - of £572 on 22 October 2015. I add that it's quite inappropriate in my view that the fundamental elements of a complaint for a consumer have had to be established by our own adjudicator looking through 80 pages of bank statements. Especially when Miss S was represented.

In that complaint letter last June 2022, Miss S' representative had used her credit file to determine when that loan was closed – 28 October 2016. It had submitted details of other loans she had at the time to demonstrate to Valour that the complaint should be upheld because she had multiple loans at the time. But as all those other loans in its complaint letter post-dated October 2015 they are irrelevant for the purposes of establishing an irresponsible lending complaint. The relevant date was the date the loan was approved which, looks to have been in October 2015. So, I have ignored those submissions as they add nothing.

In fairness to Valour there's so little information that I am not going to be able to establish what Valour asked Miss S in 2015, what information she had told it, what checks it carried out and so it's difficult to assess whether Valour had carried out proportionate checks. The corollary to that is I'm not able to establish whether Valour strayed from its regulatory obligation and so had not done what it ought to have done.

I agree with our adjudicator – and I have used Miss S' bank account statements for no other reason than to establish when the loans were taken and what her salary was, and it seemed that Miss S was earning about £1,200 each month. Its likely Valour would have asked her for that and its likely that is what Miss S told Valour.

But for the first two loan applications for a new customer, for relatively low value loans, I'd doubt that Valour would have had any need to ask for or review Miss S' bank account statements. There was no requirement in 2015 - or now – for credit searches to have been carried out. So, I assume they were not. In the circumstances it's likely that the loans would have appeared affordable. And that is a basis not to uphold the complaint.

But I add that cannot fully assess the complaint and I've had to balance the information Miss S has sent to us, together with knowledge of the real difficulty Valour has had, in that it's not been able to defend the complaint. For these reasons and the likelihood of the loans looking to have been affordable in 2015 when Miss S applied for them - then in fairness to both parties I have decided to 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 Miss S to accept or reject my decision before 25 July 2023.

Rachael Williams
Ombudsman