

## **The complaint**

Mr B complains Valour Finance Limited trading as Savvy.co.uk (Valour) provided him with loans without carrying out appropriate affordability checks.

## **What happened**

Mr B received two loans from Valour;

1. £400 loan on 29 June 2021 payable in 6 monthly instalments. 5 instalments of £121.26 each followed by a final payment of £120.80. This loan is settled.
2. £800 loan on 13 January 2022 repayable over 12 instalments of £133.33 each. Valour's most recent email says an outstanding balance remains due.

In response to Mr B's complaint, Valour said it hadn't made an error when it approved the loans because proportionate checks had been carried out, which showed Mr B would be able to afford his loans. Unhappy with this response, Mr B referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator and he concluded Valour made a reasonable decision to provide the loans because it had carried out a proportionate checks which showed the loan repayments to be affordable. He also didn't think Valour needed to have verified the information Mr B had provided.

Mr B disagreed with the outcome saying that at the time, due to his gambling addiction his salary wasn't being paid into his bank account, and so he didn't have the funds to make the repayments. Valour didn't check his bank statements, which Mr B says it ought to have done. Mr B described the impact these loans had on his worsening gambling addiction as well as his mental health issues.

As no agreement could be reached the complaint has been 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 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 have 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.

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 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 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 B 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 B. As there were only 2 loans, I agree with the investigator that this wouldn't apply in this complaint.

Valour was required to establish whether Mr B 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 B was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

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'm sorry to hear about Mr B's circumstances and what he was going through at the time the loans were advanced to him. But it does seem from what he told us in the complaint form that things have improved for him, which I am glad to hear.

Before these loans were approved, Valour carried out the same sort of checks, it took details of Mr B's income and expenditure as well as carrying out a credit search. Having reviewed the information it gathered, and the amounts lent to Mr B, I am satisfied Valour carried out proportionate checks which showed it that Mr B could afford his repayments and I've outlined my reasons for saying this below.

Valour received details from Mr B about his income, which he declared to be £2,100 per month for loan 1 and £2,415 per month for loan 2. Valour says it asked for copy payslips for both loans – a copy of these haven't been provided. But Valour has explained in the final response letter that it used the lower amounts of either what was on the payslip or what Mr B declared – I think that was proportionate and the fairest way of considering Mr B's income.

However, Mr B has also showed, through his bank statements, that while that may have been his income at the time, it wasn't being paid into his account. He says this was as a way of helping him managing his money.

I can see from the bank statements he has provided that no salary was received into the account, but Valour didn't know this at the time. For the first loans, and with verifying Mr B's income, I think Valour did enough and I wouldn't have expected it to have known, or reasonably assumed that the salary Mr B evidenced he received wasn't being paid directly into his account.

As part of his applications Mr B provided Valour with details of his living costs, these were then discussed with Mr B on telephone calls before each loan was advanced. Copies of the

recorded calls have been provided which I have listened to. Mr B confirmed details of his application such as his employer and payment date, his living situation and details of his income and expenditure. As a result of these checks, Valour believed Mr B's has sufficient disposable income to afford his repayments for both loans.

Before these loans were approved Valour also carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although Valour carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Valour couldn't do is carry out a credit search and then not react to the information it received. Valour was also entitled to rely on the results it was given as it didn't have anything to suggest the results were in anyway inaccurate.

The credit check results gave an overview of all the active credit accounts that Mr B had. From the information it received, Valour knew for loan 1 that Mr B had a current account and a credit card which didn't have an active balance.

By loan 2, Mr B had the same accounts as the loan 1 credit check but in addition, Valour was told he had a loan costing £62 per month, a mail order account where he was using around £220 of the £600 limit and finally another credit card with a balance of £368 against a limit of £500. However, for these active accounts there wasn't any adverse information such as missed payment markers and these accounts including a current account appeared to have been managed well.

Valour did know that in 2016 Mr B must have had some difficulties because he defaulted on three accounts, but this was too long before either loan was granted to have given Valour cause for concern. Also given its age I don't think that it was a reflection of how Mr B had managed his accounts in recent years.

There was also a County Court Judgement but that had been satisfied in 2019 – again in my view it was too long before these loans to have concerned Valour. Although on a phone call Mr B provided a reasonable explanation as to how and why the judgement came about and was applied. It was reasonable in the circumstances for Valour to have accepted this explanation.

So, taking everything into account, there wasn't, in my view, anything solely from the credit file which would've led to Valour declining Mr B's application or to have prompted it to carry out further checks. There was also nothing else in the information Valour either received or was told that I've seen that would've led it to believe that it needed to go further with its checks – such as verifying the information Mr B had provided.

Given it was early in the lending relationship, it was reasonable for Valour to have relied on the information Mr B provided about his income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments, he was committed to making. There also wasn't anything else to suggest that Mr B was currently having financial difficulties or that the repayments would be unsustainable for him.

An outstanding balance does appear to be due, and I would remind Valour of its obligation to treat Mr B fairly and with forbearance taking account of all the information it has been told about Mr B.

I'm therefore not upholding Mr B's complaint about the sale of the loans.

**My final decision**

So, for the reasons I've explained above, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 January 2024.

Robert Walker  
**Ombudsman**