

The complaint

Miss W complains through a representative that Valour Finance Limited trading as Savvy.co.uk ("Valour") was provided with a loan she couldn't afford to repay.

What happened

Miss W was advanced one loan of £1,000 on 12 August 2022 and she was due to make 12 monthly repayments of £166.66. Miss W has had some problems repaying this loan and an outstanding balance remains due.

In response to Miss W's complaint, Valour said it hadn't made an error when it approved the loan. It says that proportionate checks had been carried out, which showed Miss W would be able to afford the payments. Miss W's representative then referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, and she concluded Valour made a reasonable decision to provide the loan and she also didn't think Valour needed to have verified the information Miss W had provided.

Miss W disagreed saying she couldn't afford the repayments and she only took the loan as she was in a desperation situation. 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 Miss 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 have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss 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 Miss W. These factors include:

- Miss 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);
- Miss 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);
- Miss W 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 W. As there was only one loan, I agree with the investigator that this wouldn't apply in this complaint.

Valour was required to establish whether Miss 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 Miss W was able to repay her loan 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 Miss W's complaint.

I'm sorry to hear about Miss W's circumstances and what she was going through at the time the loan was advanced to her. However, it doesn't look like Valour was aware of her health issues at the time the lending decision was made and so it couldn't reasonably factor that into its underwriting decision. I do hope things have improved for her, but now Valour is aware of Miss W's circumstances it will need to take this in to account when working with her to repay what is owed.

Before the loan was approved, Valour took details of Miss W's income and expenditure as well as carrying out a credit search. Having reviewed the information it gathered, and the amount lent to Miss W, I am satisfied Valour carried out proportionate checks which showed it that Miss W could afford the repayments and I've outlined my reasons for doing so below.

Valour received details from Miss W about her income, which she declared to be £1,650 per month. Valour didn't take any steps, to validate this income, but as this was the first loan, I think it was reasonable for Valour to have relied on what Miss W had declared on her application and the affordability call.

As part of the application process Miss W provided Valour with details of her living costs, on a telephone call (a copy of the recorded call has been provided which I have listened to) in which she confirmed details of his application such as her employer and payment date, living situation and details of her income and expenditure. As a result of these checks, Valour believed Miss W's monthly outgoings came to £960.50 and so she had sufficient disposable income to afford the repayments.

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 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 the active credit accounts that Miss W had. From the information it received, Valour knew Miss W had current accounts, a credit card and a mail order account. Miss W didn't, according to the credit search owe any money on the mail order account and only £59 was owed on the credit card against a limit of £200.

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 2017 Miss W must have had some difficulties because she defaulted on three accounts, but this was too long before the 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 Miss W managed her accounts at the time of the loan application.

Taking everything into account, there wasn't, in my view, anything solely from the credit check results which would've led to Valour to decline Miss W'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 Miss W had provided.

Given it was early in the lending relationship, it was reasonable for Valour to have relied on the information Miss W provided about her income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments, she was committed to making. It therefore follows that I can't uphold Miss W's complaint.

An outstanding balance does appear to be due, and I would remind Valour of its obligation to treat Miss W fairly and with forbearance.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 21 February 2024.

Robert Walker
Ombudsman