DRN-4676859

The complaint

Mr H complains Valour Finance Limited trading as Savvy.co.uk ("Valour") provided with a loan without carrying out proper affordability checks. Mr H says he is a vulnerable consumer and Valour didn't do enough to try and protect him and it also charged him a large amount of interest.

What happened

Mr H was advanced one loan of £600 on 8 May 2023 and he was due to make eight monthly repayments of £150. Mr H has had some problems repaying this loan and an outstanding balance remains due.

In response to Mr H'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 Mr H would be able to afford the payments. Unhappy with this response, Mr H 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. She also concluded Valour charged the amount of interest it said it would, as per the credit agreement. Finally, she had listened to the call between Mr H and Valour's agent and there wasn't anything from that call or the other information that Mr H had provided which suggested he was struggling with his mental health.

Mr H disagreed saying the investigator hadn't protected the public and he went on to say that the call was misleading with Valour because it was clear he was in difficulties with his health at the time.

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.

My role is to review the evidence of the individual circumstances of the complaint as well as thinking about the relevant rules and regulations. I am then required to come to a fair and reasonable outcome based on the evidence provided. The Financial Ombudsman is an impartial service and so the outcome will be dependent on the circumstances, evidence and the rules that were in place at the time. The Financial Ombudsman is not the regulator and so my remit and role doesn't extend to protecting customer's, my role is to review what has happened in this individual circumstances of any given complaint.

What I am being asked to consider is whether Valour did all it needed to do before it granted the loan – taking account of the industry regulation at the time. I've set out below what these are.

Valour had to assess the lending to check if Mr H 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 have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr H'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 H. These factors include:

- Mr H 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 H 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 H 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 H. 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 Mr H 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 H was able to repay his 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 Mr H's complaint.

Mr H has outlined in more detail than I've provided in this decision about his mental health and what he was going through at the time. I've read what he has said. I don't provide any more detail here in order to protect his privacy, but I have taken onboard what he has told us.

I'm sorry to hear about Mr H's circumstances and what he was going through when the loan was advanced to him. However, it doesn't look like Valour was aware of the mental health problems he was experiencing at the time the lending decision was made and so it couldn't reasonably factor that into its underwriting decision or process. I've also listened to the call that Mr H had with Valour when it went through the application and there isn't as far as I can hear any indication from Mr H that he was having problems at the time.

To be clear, even if Valour was fully aware of Mr H's circumstances that doesn't automatically mean that it was wrong for it to have lent. After all we wouldn't endorse a lender not providing credit to a customer solely because they were aware of health problems.

I do hope things have improved for Mr H, but now Valour is aware of his circumstances it will need to take this into account when working with him to repay what is owed.

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

Valour received details from Mr H about his income, which he declared to be £2,000 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 Mr H had declared.

As part of the application process Mr H provided Valour with details of his living costs. Mr H on a telephone call (a copy of the call has been provided which I have listened to) confirmed details of his application such as employer and payday date, living situation and details of his income and expenditure. As a result of these checks, Valour believed Mr H's monthly outgoings came to £1,654.75. It was therefore reasonable of Valour to conclude that Mr H 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 Mr H had. From the information it received, Valour knew Mr H had current accounts, credit cards and a loan account. The loans were costing Mr H £245 per month and he had credit card balances of just over £1,250.

There was some recent adverse payment information that may have concerned Valour but it discussed this with Mr H on call I've mentioned above. Given what else it knew about his circumstances, this being a first loan, I think it was appropriate for Valour to have relied on what it was told and not investigated the late payment markers any further.

Valour did know that at the end of 2017 into 2018 Mr H must have had some payment difficulties because he defaulted on four 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 Mr H managed his accounts at the time of the loan application.

On top of the defaults there were also two County Court Judgements (CCJ) recorded in January 2018. One had been satisfied in January 2023, and one was still outstanding. For the same reasons as the defaults I don't consider these were too concerning, because these two CCJs were recorded over 5 years before the loan was approved, and Mr H had recently repaid one of the CCJs.

Mr H further declared on the call that the outstanding CCJ would be shortly repaid, and he had payment plans in place for the defaulted accounts. Given the age of the defaults and the CCJ. I think it was reasonable for Valour to make the further enquires that it did on the call and to rely on the information Mr H provided it.

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

Given it was early in the lending relationship, it was reasonable for Valour to have relied on the information Mr H 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. It therefore follows that I can't uphold Mr H's complaint.

An outstanding balance does appear to be due, and I would remind Valour of its obligation to treat Mr H fairly and with forbearance and this will include taking account of Mr H's health and what the best way forward may be.

I'm therefore not upholding Mr H's complaint about the sale of the loan.

Interest rate

Had the loan agreement been repaid in line with the terms and condition than Mr H would've been expected to have repaid a total of £1,200. This information including the term and the monthly payment was also outlined on the sale call with Valour. Valour's agent also confirmed that details of the loan would be emailed to Mr H shortly after the call.

The type of loan Mr H sought and was granted is a high-cost loan and so the interest rate is a larger amount than say he would expect to pay from a more mainstream credit provider. However, the total cost of the credit is within the cost cap that was established by the industry regulator. So, I can't say based on what the credit agreement says and the cost cap that Valour has charged more interest than it said it would.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 May 2024.

Robert Walker
Ombudsman