

The complaint

Miss S complains that Valour Finance Limited trading as Savvy.co.uk ("Valour") gave her a loan of £1,100 when she had only applied for a loan of £400. She said if further checks had been conducted prior to lending Valour wouldn't have lent to her because she was gambling.

What happened

Miss S was advanced one loan of £1,100 on 19 May 2023 and she was due to make 12 monthly repayments of £183.33. An outstanding balance remains due.

In response to Miss S'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 S would be able to afford the payments. Unhappy with this response, Miss S 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 or checked Miss S's finances. As such Valour didn't know and wasn't likely to know about her gambling.

Miss S disagreed saying in summary that she had previously taken a loan from Valour, some years ago and had encountered difficulties repaying the loan – which ought to have prompted further checks. She also had a low credit score and Valour granted a loan which was significantly more than she had requested.

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 S 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 S'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. 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 S 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 S 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 S's complaint.

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

It isn't disputed that Miss S was advanced a £1,100 loan but she says that she applied for a much smaller loan - £400. I can see that the investigator made enquires with Valour about this issue, and it provided evidence that it says showed that Miss S was granted the loan value for the amount she had applied for.

But whether Miss S did or did not apply for a £1,100 loan doesn't, in my view, make any material difference to the outcome that I've reached. I say this because, Valour had to carry out proportionate checks, and I'm satisfied based on what I've seen that Valour conducted the checks for a £1,100 loan request.

Valour received details from Miss S about her income, which she declared to be £2,300 per month. Valour says it conducted an income verification check which confirmed to it that Miss S's declared income was accurate. For a first loan this check was reasonable.

As part of the application process Miss S provided Valour with details of her living costs. This was then discussed on a telephone call (a copy of the recorded call has been provided which I have listened to) in which Miss S confirmed details of her 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 S's monthly outgoings came to £1,247 and so she had sufficient disposable income to afford the repayments.

The rent and household living costs do seem quite modest, but as part of her application Miss S declared that she lived at home with parent(s), and so that would have been a reasonable explanation for the level of cost that she declared.

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.

From the information it received, Valour knew Miss S had current accounts, three outstanding loans and four credit cards. The loans were costing £278 per month to service and the credit card balances totalled £1,859.

For these active accounts, it does look like that in January 2023 Miss S had some minor repayment problems because adverse payment information was reported. This was discussed with Miss S on the telephone call mentioned above, and she explained she was making payments but equally she explained she was in dispute with the providers due to additional fees being levied.

However, the credit file shows information was corrected by February 2023 and although it was quite close to the loan start date, I do think given that there wasn't any other current adverse information and that it was corrected quickly, has made led me to conclude that Valour, on balance, wouldn't have been overly concerned by it.

Valour did know that in 2018 Miss S must have had some difficulties because she defaulted on an account – which was then satisfied in April 2020. But this was too long before the loan was granted to have given Valour cause for concern.

Taking everything into account, there wasn't anything solely from the credit file results which would've led to Valour to decline Miss S'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 S had provided. As such, Valour wouldn't have needed to have viewed Miss S's bank statements and so it wouldn't have known or could've have know about the gambling Miss S has told us about.

Given it was early in the lending relationship, it was reasonable for Valour to have relied on the information Miss S 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 S's complaint.

Finally, Miss S says that further checks ought to have been conducted because she took a loan several years ago – Valour confirmed the loan was granted in 2015 – and she had problems repaying it. But given the passage of time since the loan was granted, I don't think in this case, Miss S having previous repayment problems would've led Valour to have conducted further checks, especially as the information it did gather before this loan was granted showed it was affordable.

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

I'm therefore not upholding Miss S's complaint about the sale of the loan.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 27 June 2024.

Robert Walker
Ombudsman