DRN-5140541

The complaint

Mr A complains Valour Finance Limited trading as Savvy.co.uk ("Valour") provided him with loans he couldn't afford to repay.

What happened

A summary of Mr A's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£750.00	20/08/2021	settled	8	£187.50
break in lending					
2	£600.00	14/03/2023	settled	8	£150.00
3	£1,200.00	04/12/2023	outstanding	12	£200.00

Valour says that loans 1 and 2 have been settled and I've not seen anything to make me think they were settled outside of their credit agreements. Mr A has had some difficulties repaying loan 3 and an outstanding balance remains due.

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

The complaint was considered by an investigator, and she concluded Valour made a reasonable decision to provide these loans – considering the break in lending. Mr A disagreed saying the investigator hadn't considered that his credit file showed other lending.

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 A 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 A'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 A. These factors include:

- Mr A 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 A 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 A 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 A. As there were only three loans with a break between them, I agree with the investigator that this wouldn't apply in this complaint.

Valour was required to establish whether Mr A 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 A 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 A's complaint.

Loan 1

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

Valour received details from Mr A about his income, which he declared to be £3,675 per month. Valour says it took steps to check this income through an automated validation process. This is common practice within the industry and I don't think it was unreasonable for Valour to have relied on the above figure for its affordability assessment.

As part of the application process Mr A provided Valour with details of his living costs. Mr A, in a telephone call (a copy of the recorded 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 A's monthly outgoings came to £1,750. To this it added a further £326.50 which was the amount of the existing credit commitments Mr A had which was taken from the credit report. It was therefore reasonable of Valour to conclude that Mr A 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 inaccurate.

The credit check results gave an overview of the active credit accounts that Mr A had. All of these accounts had been well maintained with no adverse information was being reported about them. It knew that Mr A had an existing loan costing £219 per month – which was talked about on the telephone call and he provided reasonable answers as to why he needed and had taken the loan. He also had a credit card debt of £3,850.

So even assuming a 5% repayment towards the credit card debt each month this would lead to payment of around £190 to service these cards. Meaning the credit commitments were more likely costing Mr A £409 per month – which is about £80 more than Valour calculated. However, even if Valour had used the figure that I've come to above in its affordability calculations I think it would've reached the same conclusion – that this loan was affordable.

There was a default from 2019, but that was in my view too far removed from the loan start date to have given Valour any cause for concern. Also given its age, I don't think that it was a reflection of how Mr A managed his accounts at the time of the loan application.

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 A's application or to have prompted it to carry out further checks. There also wasn't anything 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 A had provided.

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

Loan 2 and 3

There was then a gap between Mr A repaying loan 1 and before he took loan 2. Given this break in borrowing it was reasonable for Valour to have treated Mr A's application afresh and treat him as if he were a new customer. In saying that, Valour carried out the same sort of checks before it approved these loans as it had done before loan 1.

This time Mr A declared an increased income of £5,000 per month for both loans and this was once again cross referenced. It was therefore entirely fair to use this income figure for its credit search results. Indeed, for loan 2, Mr A – on the telephone call with the agent explained his net salary and how much his take home he was – prepared – if needed to do so to send a payslip in.

As before, Mr A gave details of his living costs, Valour used information from his credit report, and it also discussed each application with him on the telephone. Having carried out these checks, Valour concluded for loan 2 he had £2,766 of outgoings and £2,795 of outgoings for loan 3. Taking account of the repayments Mr A was committed to, these loans appeared to be affordable.

Credit searches were also carried out and I've considered the results Valour received before it advanced each loan and the same caveats apply to these checks as it did for loan 1. So, for example, if Mr A had recently taken out further credit that couldn't show within the reports generated by Valour and as such it couldn't have been expected to have known about them and this is also considering that each telephone call Mr A was asked about whether he had recently opened credit.

For loan 2, Mr A had three loans running at the same time, but these were only costing him £240 per month. He had a phone bill of £48 and then credit card balances of £3,323. Again, this would cost about £200 per month and so the credit commitments would've cost £488 per month – but in reality it would've been less because the mobile phone bill had already been factored into the income and expenditure assessment that was confirmed with Mr A on the phone.

However, there were some missed payments on a few accounts from October 2022 although at the point the loan was granted the missed payments had been corrected. I've thought about this, because there are times when missed payments can be a sign that a consumer is having wider financial difficulties. But, considering the information Mr A provided as part of his application as well as to the agent on the telephone call I do think it was just about reasonable for Mr A to have been granted this loan.

The credit search for loan 3, show a total credit card balances of £2,855 and he had two loans running at the same time costing £60 per month. There were no new defaults, reported since loan 1 and so Valour wouldn't have been too concerned by the results it received.

There was a missed payment in August 2023 on a credit card account, but this was quickly corrected and brought up to date, so I don't think that payment would've led Valour to have either declined the application or prompted it to carry out further checks.

As I've said above, before the loans were approved, Mr A was required to speak to an agent of valour to confirm details of his application and answer any questions the agent may have had. I've listened to these calls and Mr A had a plausible response as to why he needed the loans, rather than why he couldn't dip into his savings that he had told the agent about. Having listened to both calls, I don't think there was anything contained within them that would've given Valour cause for concern.

Finally, I've considered that Mr A appears to have taken loan 3 only a matter of days after loan 2 had been repaid. But the fact he returned for a loan so quickly after repaying a previous loan isn't of itself a reason to have declined the lending especially because this was the first time it had happened. In the round, given everything that has happened I am not upholding Mr A's complaint.

An outstanding balance does appear to remain due for the final loan, and I would remind Valour of its obligation to treat Mr A fairly and with forbearance.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Valour lent irresponsibly to Mr A or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 January 2025.

Robert Walker
Ombudsman