DRN-5320964

## The complaint

Mr W complains Valour Finance Limited trading as Savvy.co.uk ("Valour") provided him with a loan that was unaffordable.

## What happened

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

| loan number | loan amount | agreement date | repayment date | number of monthly instalments | Monthly repayment |
|---|---|---|---|---|---|
| 1 | £900.00 | 03/02/2024 | settled | 10 | £180 |

In response to Mr W's complaint, Valour said it hadn't made an error when it approved the loan. Mr W then referred the complaint to the Financial Ombudsman. Where it was considered by an investigator, and he concluded Valour made a reasonable decision to provide the loan and so he didn't uphold the complaint.

Mr W disagreed saying, in summary;

- Savvy saw Mr W's bank statements through an open banking report as part of the affordability assessment.
- The income and expenditure calculations aren't reflective of Mr W's actual financial position.
- When Mr W tried to repay the loan he was questioned as to why he wanted to do so, and he provided screen shots of calls that were made in April 2024.
- The interest rate the loan had, meant it needed to be treated as a high-cost credit loan.

The investigator made some further enquires with Valour and it confirmed it didn't have copies of any other calls and it didn't see Mr W's statements before lending to him.

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 W 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 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 Mr W. These factors include:

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

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

This is a high-cost loan and is subject to a cost cap that was implemented by the regulator. This limited the amount of interest, lenders such as Valour can charge. In this case, Valour would be limited to collecting a total of £1,800 which is the amount borrowed plus interest.

The loan was within the cost cap limit and so I can't say Valour made an error with the amount of interest that it charged or that just because it was a high-cost loan that automatically means further checks were needed.

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

Valour received details from Mr W about his income, which he declared to be £2,650 per month. Valour says it took steps to check this income through an automated validation check – this is common practice within the industry. The results of the check indicated the income Mr W had declared was likely accurate. So, 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 W provided Valour with details of his living costs. Mr W 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, living situation and details of his income and expenditure.

As a result of these checks, Valour believed Mr W's monthly outgoings came to £1,072. To this it added a further £576.50 which was the amount of existing credit commitments Mr W had and which Valour had taken from its credit search. It was therefore reasonable of Valour to conclude that Mr W had sufficient disposable income to afford the repayments.

Mr W has said that as part of the affordability checks Valour used open banking and so had an insight into what he was spending his money on. However, there is no evidence from the information shared from Valour either in its contact notes or final response letter to suggest it used open banking.

I also made direct enquiries with Valour, and it once again confirmed open banking wasn't used as part of the application process. Based on the information that I have; I am satisfied Valour hadn't seen Mr W's bank statements.

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 W had. All of these accounts had been well maintained with no adverse information being reported about them. It knew that Mr W had two existing loans costing £173 per month. He also had a credit card debt of £14,197. But as I've said there wasn't anything to suggest that Mr W was having problems paying his existing credit commitments.

There was some historic adverse payment information on a credit card that was in delinquency in 2018, but in my view that was too long before the loan start date to have given Valour any cause for concern bearing in mind the other accounts showed no repayment problems.

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 W's application or to have prompted it to carry out further checks.

So, even if it was the case that what Mr W declared to Valour – and what it discovered from its own checks didn't may not have shown it a complete picture of Mr W's income and expenditure. Nonetheless, what Valour was required to do was carry out a proportionate check and I'm persuaded in the circumstances of this complaint that is what it has done.

It was reasonable for Valour to have relied on the information Mr W provided about his income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments.

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

*Other considerations*

I've also thought Mr W's request to settle the loan earlier. Valour says Mr W requested a settlement figure outside of working hours at the end of February 2024. The message wasn't picked up by Valour until the next working day and a response was then sent – explaining that early settlement was possible. However, Valour has said this message wasn't read until May 2024. There isn't any other evidence of any other contact between Mr W and Valour after this time where early settlement was mentioned.

Mr W has provided screen shots of calls he says he made. However, having researched the numbers he has provided, it looks like these were for a car finance company and not connected with Valour or this loan. So, this hasn't persuaded me that Mr W called Valour to discuss the early settlement of the loan.

And I can see that the investigator made enquires with Valour to see whether there were any call records it could provide but the only call it has provided, is the one mentioned earlier on in the decision. In this call, Mr W does ask whether he can settle the loan earlier – he is told he can and then he is given some brief information about how the interest would be calculated.

I can then see emails between the parties in July 2024, where the early settlement is discussed, and Valour explained what interest rebate Mr W would receive if he made his payment by 14 August 2024. Following further emails, Valour clarified that it was charging 28 days' worth of interest, if the account is settled early which is in line with the regulations for loans under 12 months. This echoes what Mr W was told on the affordability call at the inception of the agreement. So, I can't see, based on the emails and the one call that I've listened to that Mr W was misled or prevented from settling the loan early.

Finally, 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 W 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 July 2025.

Robert Walker
**Ombudsman**