

Complaint

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

Background

Savvy lent Mr M £750 on 14 January 2015. This loan was due to be repaid in 12 monthly instalments and was settled on 29 November 2015.

Mr M says that at the time of the loan he was struggling financially and was borrowing to make his repayments on other debts and to pay for his living costs. He says the loan made his situation worse and that had Savvy checked his credit file it would have realised the loan shouldn't have been provided. At the time he says he was borrowing from multiple short term lenders as well as having an overdraft and credit card debts.

Savvy says that it carried out a range of checks, in line with the regulatory guidance, before providing the loan. It says it validated Mr M's monthly income as £2,230 and discussed his expenses with him. It says it was entitled to rely on the information provided and that it also carried out a credit check which didn't raise concerns. It says based on the information gathered Mr M's monthly disposable income was sufficient to cover the loan repayments.

Savvy says that the credit agreement clearly set out the interest, fees and total amounts repayable.

Our adjudicator thought that the loan shouldn't have been provided. He said that had proportionate checks been carried out Savvy would have realised that Mr M was having problems managing his money. He said Mr M had a number of other short term loans outstanding at the time and he thought Savvy should have realised that Mr M wouldn't be able to sustainably repay this loan.

Savvy didn't accept our adjudicator's view. It said that the credit check didn't show anything that would have required further questions to be asked. It did not think that it was required in this case to ask for copies of Mr M's bank statements.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- the credit agreement clearly set out the costs associated with the loan and the total amount repayable;
- Savvy gathered information on Mr M's income and expenses and carried out a credit check which I thought constituted proportionate checks given this was Mr M's first loan;;
- the credit file from January 2015 wasn't provided but instead Savvy provided the file from January 2016 when Savvy has said Mr M applied for another loan but this was declined;
- Savvy had said Mr M was paying around £866 towards his debts. Having looked through the 2016 credit report, Mr M had a number of active credit cards at the time

of the loan as well as other debts. Without further information I didn't find that I could say that Savvy's assessment that Mr M was paying around £866 payment towards these was unreasonable;

- the information gathered about Mr M's income and expenditure at the time of the loan suggested it was affordable.

Overall, I found that the checks carried out by Savvy were reasonable in this case. As these suggested the loan repayments were affordable I didn't find that I had enough to say this complaint should be upheld.

Mr M responded to my provisional decision. He didn't agree that sufficient checks had been carried out before the loan was provided. He reiterated that he had numerous debts outstanding at the time and provided further details of these. He said that had Savvy carried out reasonable checks it wouldn't have lent to him.

Mr M said that although the credit agreement set out the payments required Savvy still had a responsibility to ensure the repayments were affordable for him. He said that lending to him wasn't sustainable as he was borrowing increasing amounts each month and that his credit file clearly showed this. Mr M provided copies of his credit file and also his bank statements which he said also showed the severity of his situation.

My findings

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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

As I explained in my provisional decision, Savvy needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr M could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent the repayment amounts and the consumer's income and expenditure.

In this case Savvy gathered evidence of Mr M's income which showed a monthly income of around £2,230. On a call, information about Mr M's expenses was discussed. I find these checks were reasonable to understand Mr M's income and expenses. Savvy also undertook a credit check. As I mentioned in my provisional decision I only have the details of the 2016 credit check so I cannot say what information was available in the 2015 check however I note Savvy included credit commitments of £866 alongside his living costs.

Mr M has provided a copy of a more recent credit report and his bank statements. While I understand the point Mr M is making about his other debts I have to consider whether the information gathered at the time of his loan application was proportionate and whether it raised concerns which meant further checks should have taken place. In this case the monthly repayments of £125 were relatively small compared to his monthly income and the information gathered at the time about his expenses including other credit commitments suggested the loan was affordable.

So, while I understand the points Mr M has raised and accept he is not happy with my decision, I find that the checks carried out at the time of the loan were sufficient. As these

didn't raise concerns that I think should have meant further checks should have taken place I find that it was reasonable for Savvy to rely on the information it gathered and not ask for further information such as bank statements.

As the checks carried out suggested the loan repayments were affordable I do not find that I can say the loan shouldn't have been provided.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 February 2020.

Jane Archer
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