

complaint

Mr O has complained about a loan he took out through a company called Valour Finance Limited trading at the time as savvy.co.uk ("Savvy"). Mr O says Savvy lent to him irresponsibly and contributed to his financial problems.

background

We now know that Mr O took out 1 loan from Savvy, in April 2018. I've enclosed a summary of this borrowing, based on the information it provided to us, which can be found in an appendix at the end of this decision.

One of our adjudicators looked into the complaint and told Mr O they didn't think it should be upheld. Mr O didn't agree and asked for an ombudsman's final decision.

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. I've followed this approach when thinking about Mr O's complaint.

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 O could repay the loan he was given, in a sustainable manner. These checks ought to have taken into account a range of different factors such as the amounts being lent, the total repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. However, certain factors might point to the fact that Savvy should have fairly and reasonably done more to establish that any lending was sustainable for the consumer.

These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. I've carefully considered all of these things and what they mean for Mr O's complaint.

Savvy told us it carried out certain checks before agreeing to lend to Mr O, including assessing his income and expenditure. It says that based on what was said, this information showed that Mr O would be able to make the loan repayments he was committing to.

An important factor for me to consider in this case is that Mr O only took out one loan with Savvy. And bearing in mind what I've said above about the early stages of a lending relationship, I don't think the stage had been reached where I would have expected Savvy to go into his financial affairs in a very detailed way, such as closely examining his bank statements, verifying his income / expenditure disclosures or doing detailed credit checks. I think the checks it would have carried out were relatively moderate, but still commensurate with this being his *first* such loan with the business.

I also note the £850 loan was an instalment one and payable over 52 weeks. In my view the repayments therefore appeared affordable when set against both what Mr O said he earned and his declared commitments. Mr O said his net income (after tax) was over £1,350 per month. So overall, I think the repayments would most likely have appeared to have been affordable to Savvy when it carried out its checks.

I do understand that it's possible Mr O's wider financial situation might have already been in a challenging situation and that he may have been indebted to other lenders at the same time. And I accept that his actual financial position might well have been more apparent to Savvy if further information had been obtained by it. But Savvy made its decision based on the information it had available at the time and as it was still in the very early stages of a lending relationship I'm afraid I don't think there's enough evidence to uphold his complaint.

In addition to all this I listened to a call Mr O had with the underwriters about this loan. There was no indication he was in financial difficulties and I do think it was made clear enough, several times, what he was being asked to pay back. I'm sorry to disappoint Mr O but there's not enough evidence for me to uphold his complaint.

my final decision

For the reasons set out above, I don't uphold this complaint. And I don't direct Valour Finance Limited to pay Mr O any compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 29 February 2020.

Michael Campbell
ombudsman

Appendix

Loan Date	Amount	Repaid	Repayment Type
03/04/2018	£850	Part-outstanding	52 x £32 pw