Financial Ombudsman Service

complaint

Mr H complains that Valour Finance Limited (trading as 'Savvy') irresponsibly lent to him.

background

Mr H borrowed £1,500 from Savvy in June 2018. The loan was set to run for 15 months and his repayments were set at £200 per month. From the information provided, I can see that there's still an outstanding balance on the loan.

In his complaint to this service, Mr H said that the loan was unaffordable. He said he'd had to gamble and take out other loans just to meet his monthly expenses. Our adjudicator didn't think this complaint should be upheld. She listened to the call recording and thought Savvy had undertaken proportionate checks and the loan had reasonably appeared to be sustainably affordable.

Mr H didn't agree with our adjudicator's view. He said that she shouldn't have taken account of what was said on the telephone when he applied for the loan because he was desperate for the money at that time. He also queried whether she considered his other payday loans or that the money he'd borrowed had been used for gambling.

As Mr H didn't accept what our adjudicator said, the matter has been passed to me to make a 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.

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 Mr H could repay the loans 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. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Savvy should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer'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 think that it is important for me to start by saying that Savvy was required to establish whether Mr H could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn’t automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won’t be able to make their repayments sustainably if they’re unlikely to be able to make their repayments without borrowing further.

I’ve carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr H’s complaint.

As I said above, early in the lending relationship, I wouldn’t necessarily expect Savvy to undertake a full review of Mr H’s financial circumstances. In this case, when thinking about what it knew about Mr H at the time as well as the monthly commitments he had, I think the checks it did were proportionate.

When he applied for the loan, Savvy required Mr H to contact it by telephone. I’ve listened to a recording of that call. During that conversation, I can hear that Mr H declared that he was paid £3,200 per month from work. He also said that he had outgoings of less than £1,000 per month. Before it decided to lend to Mr H, Savvy also checked his credit file and obtained a copy of his most recent payslip.

I appreciate that Mr H doesn’t think we should take account of what he said in the telephone call with Savvy. But this was an important call because the information he provided during that conversation was what Savvy considered when it was working out whether the loan was affordable for him. This was Mr H’s first loan with that lender and Savvy was entitled to take account of and rely on the information he provided to it. So, I must take account of what was said during that telephone call.

Turning firstly to Mr H’s declared income, I can see the amount he declared to Savvy on the telephone was slightly more than was shown on his payslip. But I don’t think the difference in figures was material. He declared his monthly outgoings at less than £1,000 per month and said he didn’t have any other credit commitments apart from a relatively small loan with another short-term lender. I appreciate that Mr H’s credit report showed that he did in fact have some credit card debts. But Savvy could see this from its credit check and it factored in the repayments to those creditors when it was deciding whether Mr H had sufficient disposable income to afford the loan.

I’ve considered with care what Mr H said about gambling. On the telephone, Savvy specifically asked Mr H the reason why he’d taken out his existing short-term loan and he said that it was to cover a plumbing problem. The credit report did not suggest that Mr H had been late in making repayments towards his other credit commitments. Looking at the information Savvy had, I haven’t seen anything that would have put it on notice that Mr H would be relying on gambling to make his repayments.

I've also thought about what Mr H said about having other payday loans at the same time. But he only told Savvy about one such loan during the telephone call. He said he didn't have any other commitments. And the credit report didn't show any other payday loans. While I accept that Mr H may well have had payday loans, the evidence I've seen doesn't suggest that Savvy would have been aware of that. So, when it made its lending decision, it couldn't take account of any other short-term lending other than that which Mr H declared or was shown on the credit report.

So overall, in these circumstances, I think Savvy's assessment for this loan was proportionate and the checks it carried out showed it that Mr H was able to afford the repayments he committed to. It follows that I think that when Mr H applied for this loan, Savvy's decision to lend was reasonable.

Nevertheless, as I said above, it appears there is an outstanding balance on this loan and that Mr H may have run into trouble keeping up his repayments. I remind Savvy of its duty to treat him fairly if he is in financial difficulties.

I am sorry to disappoint Mr H. But it follows that for the reasons set out above, I haven't upheld the complaint. I don't need to tell Savvy to take any further action in respect of it.

my final decision

I don't uphold this complaint about Valour Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 February 2020.

Nicola Bowes
ombudsman