## complaint

Mr W says Valour Finance Limited – trading as Savvy.co.uk ("Savvy") - irresponsibly lent to him.

## background

This complaint is about one instalment loan Savvy provided to Mr W in August 2015. The loan was for £650 and repayable over 12 months. The monthly repayments were for £108.37. Mr W's loan is currently outstanding.

Our adjudicator upheld Mr W's complaint and thought the loan shouldn't have been given because the information Savvy had gathered about Mr W showed the loan was unaffordable.

Savvy disagreed and said Mr W had provided evidence to show his living costs were lower as he shared them with his partner. As the complaint couldn't be resolved informally it has been passed to me.

## 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 W could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 W 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 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 the arguments, evidence and information provided in this context and what this all means for Mr W's complaint. Having done this, I'm upholding Mr W's complaint. I'll explain why.

I think Savvy ought to have realised that Mr W wouldn't have been able to make his repayments for his loan sustainably without taking out more lending. I can see Savvy did income/expenditure and credit checks on Mr W before it lent to him. And I can see that Savvy has provided its findings from those checks, including a copy of the telephone call recording between it and Mr W, to us. Having reviewed all of this, I don't think it shows Mr W was able to repay the loan in a sustainable manner.

During the telephone call the advisor for Savvy asked Mr W about his regular outgoings. On the declared information Mr W said during the telephone call, after the repayment of £108.37 for the loan, Mr W's disposable income would have been in minus figures. Which would have meant Mr W would have struggled to meet his repayments sustainably. On the information Mr W has given them the adviser concludes the loan is unaffordable.

The adviser also asked whether Mr W lived on his own. When Mr W said he lived with a partner, the advisor asked if it could split the amount of Mr W's outgoings and Mr W stated he paid for the outgoings and his partner paid for other things.

So, the Savvy adviser goes on to ask if Mr W has anything that shows Mr W's partner is on the mortgage so she can split the mortgage amount. Mr W provides a copy of a solicitor's letter which about the registration of the property deeds. The advisor takes this as evidence that Mr W is only paying half of the amount of his mortgage repayments and the loan is processed.

Savvy has provided a copy of that solicitor's letter. Looking at this, I don't agree that this shows anything about how much Mr W actually pays towards his mortgage. The letter just proves he owns the property. So I don't think it contradicts the information Savvy had that showed the loan was unaffordable. And I think this has been proven as Mr W hasn't been able to repay the loan and a balance remains outstanding.

**putting things right – what Valour Finance Limited needs to do**

If Savvy has sold the outstanding debt Savvy should buy this back if Savvy is able to do so and then take the following steps. If Savvy can't buy the debt back, then Savvy should liaise with the new debt owner to achieve the results outlined below.

A) Savvy should add together the total of the repayments made by Mr W towards interest, fees and charges on the loan without an outstanding balance, not including anything Savvy has already refunded.

B) Savvy should calculate 8% simple interest* on the individual payments made by Mr W which were considered as part of “A”, calculated from the date Mr W originally made the payments, to the date the complaint is settled.

C) Savvy should remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Mr W as though they had been repayments of the principal on the outstanding loan. If this results in Mr W having made overpayments then Savvy should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Savvy should then refund the amounts calculated in “A” and “B” and move to step “E”.

D) If there is still an outstanding balance then the amounts calculated in “A” and “B” should be used to repay any balance remaining on the outstanding loan. If this results in a surplus, then the surplus should be paid to Mr W. However, if there is still an outstanding balance then Savvy should try to agree an affordable repayment plan with Mr W. Savvy shouldn’t pursue outstanding balances made up of principal Savvy has already written-off.

E) Savvy should remove any adverse information recorded on Mr W’s credit file in relation to the loan.

*† HM Revenue & Customs requires Valour Finance Limited to take off tax from this interest. Valour Finance Limited must give Mr W a certificate showing how much tax it’s taken off if he asks for one.*

**my final decision**

For the reasons given above, I’m upholding Mr W’s complaint. Valour Finance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 2 May 2020.

Claire Marchant-Williams
**ombudsman**