complaint

Mr E complains that Valour Finance Limited (trading as Savvy.co.uk) gave him a loan irresponsibly.

background

This complaint has been brought to us by Mr E's mother on his behalf. But, for ease, I shall refer simply to Mr E in this decision.

The complaint relates to a single instalment loan of £750 given in December 2015 to Mr E by Savvy. It was repayable over 18 months at £69 per month. Mr E wasn't able to meet the first monthly repayment when it fell due - but the loan was ultimately repaid, in full, by Mr E's family in July 2017.

Our adjudicator didn't think that Savvy had been wrong to give the loan. She thought Savvy's affordability checks had gone far enough and that these showed that Mr E had sufficient disposable income to repay his loan.

Mr E didn't agree. In response to our adjudicator's opinion Mr E observed that Savvy's checks showed:
- he was unable to afford the loan,
- there was one unsatisfied County Court Judgement reported,
- there had been several credit defaults over the preceding 36 months.

He believes that this shows he was struggling with existing debts and was unable to repay Savvy's loan in a sustainable manner.

Because both parties don't agree the complaint has been passed to me for a 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 E 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.

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 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 think it's important for me to start by saying that Savvy was required to establish whether Mr E could sustainably repay his loan – 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 that this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines 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.

So 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 E's complaint.

Before it lent to Mr E, Savvy asked him for details of his monthly income and expenditure, obtained copy payslips and carried out a credit check.

Mr E stated that his monthly income was £1,700. He subsequently submitted two payslips to Savvy which showed his net income to be, respectively, £1,588 and £1,848. Savvy has confirmed that it adopted the lower figure in its affordability assessment.

It also then had a telephone conversation with Mr E (I've listened to a recording of the call) during which it verified with him the purpose of the loan, the details of his income and ran through an extensive list of expenditure categories to validate what Mr E had declared to it. It went on to discuss with Mr E the status of his other, existing credit agreements – comprising a credit card and another short term loan. Mr E confirmed that his one existing short term loan of £205 would be repaid from the proceeds of Savvy's loan.

I've reviewed the summary output of Savvy's credit checks and, don't see anything here that I think would've been likely to give it any cause for concern. It showed neither County Court Judgements, nor any defaults in the preceding 36 months.

I think it's important to note that the information a lender might see when it requests a copy of someone's credit file may be quite different to that which may been evident to the borrower himself. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain the differences between what Savvy saw from the information it obtained from its credit check and Mr E's own view of his borrowings at the time.

This was Mr E's first and only loan with Savvy. I think that, given the early stage in their relationship, it was reasonable for Savvy to rely upon the information that had been provided to it by Mr E – both in his loan application, his income confirmation and the subsequent telephone call. I think that, in all the circumstances, the checks Savvy carried out were proportionate and I wouldn't have expected it to do anything more.

I'm sorry to learn of Mr E's financial predicament and am sure that this must have been a difficult time for both him and his family. And I realise that it'll come as a disappointment to Mr E but I'm afraid that, for the reasons outlined above, I can't uphold his complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 17 March 2020.

Richard France
Ombudsman