

The complaint

Miss S has complained about a loan granted to her by Provident Personal Credit Limited trading as Satsuma Loans (“Satsuma” or “the lender”). Miss S says that she could not afford the repayments on her loan and that Satsuma should have known this and not agreed to lend to her.

What happened

Satsuma agreed one loan for Miss S for £500 in September 2016. It was to be repaid over 13 weeks with a weekly repayment of about £55. I understand from the information Satsuma provided that the loan was repaid in full the following month.

Our adjudicator already looked into Miss S’s complaint and didn’t recommend that it be upheld. She explained that Satsuma had gathered enough information to reasonably assess whether Miss S could meet her repayments in a sustainable manner. She found that Satsuma hadn’t irresponsibly lent on this occasion because it seemed from the information gathered that Miss S would be able to repay her loan without difficulty.

Miss S didn’t agree with this recommendation and so the complaint has come to me, as an ombudsman, for review and final decision.

What I’ve decided – and why

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 that approach here.

The Financial Conduct Authority was the regulator when Miss S took out her loan. The relevant rules and guidance said that before lending Satsuma needed to take reasonable steps to check that she could afford to meet her repayments in a sustainable manner. This meant Miss S being able to meet her repayments out of her normal income without having to go without or borrow further.

The regulations weren’t prescriptive about what checks Satsuma needed to carry out but were clear that such checks needed to be proportionate. This suggests that the same checks might not be the appropriate thing to do for all consumers, or for the same consumer in all circumstances.

In general, I’d expect a lender to require more assurance the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way. So, for example, I’d expect a lender to seek more assurance by carrying out more detailed checks

- 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've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss S's complaint. Having done so, I am not upholding her complaint. I appreciate that this will be disappointing for Miss S and I hope the following explanation helps her to understand why I have come to this conclusion.

Satsuma says it asked Miss S for information about her regular income and expenses when she applied for a loan. The lender recorded her monthly income as £900 and her monthly expenses as £50, which included £15 towards repaying existing credit. It also recorded that she lived with her parents.

Satsuma said that it gathered some information about Miss S's existing credit commitments through a third-party credit reference agency. It found Miss S was paying more than she'd said towards existing debts each month and so it included an increased amount for this expense in its affordability assessment. The lender also included an estimated amount for other costs based on the information it gathered via the credit reference agency and its internal lending models. Satsuma subsequently concluded that Miss S could afford her loan repayments.

I think the assessment Satsuma carried out here was in proportion to the circumstances. In Miss S's case, she took out one loan to be repaid over three months. She didn't have a previous borrowing relationship with Satsuma that the lender ought to have taken into account. The loan repayments didn't take up such a significant proportion of her monthly income that this alone might render the lending irresponsible. And it seems from the information Miss S gave Satsuma that she had enough disposable income to meet her loan repayments over the length of the agreement.

I have borne in mind that Satsuma needed to take reasonable steps to ensure Miss S could not just meet her loan repayments but be able to do so in a sustainable manner, in other words without borrowing from elsewhere. The information Miss S gave suggested she would have £850 a month left to meet her loan repayments. Satsuma's affordability calculations reduced this considerably, such that she would have less than £50 remaining after making her repayments each month. However, given what Miss S told the lender about her circumstances, I don't think this alone means Satsuma should have declined to lend to her.

Satsuma said that it didn't find anything in its checks to suggest that it ought to have looked further into Miss S's financial situation before agreeing to lend and, from what I've seen, that seems to be the case. So I can't say that Satsuma ought to have done more to assess the affordability of the loan for her.

Miss S said that she was not in a good position financially when she applied to Satsuma for a loan - she had an existing long-term loan, and she'd recently lost her job, had no income and was in receipt of Job Seekers Allowance. She also said that she needed to borrow from elsewhere in order to repay her Satsuma loan and that her financial situation then got more difficult. The information Miss S has provided to this Service supports what she's said about her circumstances at the time.

I am sure that things have not been easy for Miss S and I'm sorry to hear of her financial difficulties. I can understand why she feels Satsuma shouldn't have agreed to lend to her at this time. However, the view Satsuma had of her circumstances didn't show that she would have struggled to meet her repayments. As I've said, in some cases I might think that a lender ought to have taken further steps in order to carry out a reasonable and proportionate assessment. But there wasn't anything in the information Satsuma had or the circumstances in which the loan was agreed that makes me think it should have done more. So I don't think it lent irresponsibly on this occasion and I can't uphold her complaint.

My final decision

For the reasons set out above, I am not upholding Miss S's complaint and I don't make any award against Provident Personal Credit Limited trading as Satsuma Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 2 June 2020.

Michelle Boundy
Ombudsman