

Complaint

Ms H complains that Provident Personal Credit Limited trading at the time as 'Satsuma' irresponsibly lent to her.

Background

Ms H took out one loan from Satsuma in June 2015 for £700. The repayment for the loan was around £127 per month for 52 weeks. I understand that this loan remains outstanding.

In her complaint to this service, Ms H said that the loans were unaffordable. She said that her financial position wasn't properly checked to make sure she was able to repay the loan.

Our adjudicator didn't think this complaint should be upheld. He said Satsuma had undertaken proportionate checks. He didn't think there was anything about the loan Ms H took, the amount it was for, or the period of time over which she was borrowing, which would've led Satsuma to conclude that Ms H might have been experiencing financial difficulty.

Ms H didn't agree with our adjudicator's view. She thought just because there was only one loan it did not mean her circumstances had been properly checked by Satsuma. She explained that if more checks had been done it would have shown many more loans from other companies and defaults for late payments together with payment arrangements.

As Ms 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.

Satsuma 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 Ms H 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 Satsuma 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 Satsuma was required to establish whether Ms H could sustainably repay her 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 Ms H's complaint. I'm sorry to disappoint Ms H but I've decided not to uphold this complaint. I will explain why below.

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

When Ms H applied for her loan, it appears that she told Satsuma her income was £1,400 per month. She also declared her expenses as £835. Satsuma also appears to have increased Ms H's declared expenditure to better reflect Ms H's circumstances. This resulted in Ms H still having a disposable income of £330.16 after she had repaid the monthly repayments on the loan.

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

Nevertheless, in relation to any outstanding loan amount, I remind it of its duty to treat Ms H fairly.

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

My final decision

For the reasons set out above, I don't uphold this complaint about Provident Personal Credit Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 24 June 2020.

Nicola Woolf
Ombudsman