

The complaint

Miss H says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to her. Miss H has said she should have been given the loan as she already had county court judgments (“CCJs”) against her and other debts and defaults on her credit file. She couldn’t afford to meet her essential household expenditure.

What happened

This complaint is about one short-term loan Satsuma provided to Miss H in June 2016. The amount borrowed was £200 which was to be repaid over 30 weeks at a cost of £13.27 per week. My understanding is the loan balance is still to repaid.

Our adjudicator didn’t uphold Miss H’s complaint. They thought the checks Satsuma had carried out before lending to her were reasonable and the information it obtained wouldn’t have given it any cause to reconsider giving Miss H the loan.

Miss H didn’t agree. She said that based on her credit file and the number of defaults and CCJs that showed, she didn’t think she should have been given the loan. She said she wasn’t asked for any evidence of her income and expenditure, the latter of which she had a lot.

As the complaint remains unresolved, it has been passed to me for decision in my role as ombudsman.

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.

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 Miss 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 Miss H could sustainably repay her 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 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 Miss H's complaint. After doing so, I've decided not to uphold the complaint. I'll explain why.

Satsuma has told this service about the checks it carried out before approving the loan. This included information about Miss H's income and expenditure to establish whether the loan was affordable for her. It also included a credit risk assessment.

Miss H's income was recorded as being £2,800 per month. Her expenditure was £1,263 a month to which Satsuma added a buffer amount of £196.31 per months. So, this would leave Miss H with a disposable monthly income of £1,287 after taking account of the monthly loan repayment. Taking this into account I don't think the loan looks unaffordable on a pounds and pence basis.

As I've said above, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But I don't think there was anything in the information that Miss H provided to Satsuma which would have caused it to be concerned that she was having problems managing her finances.

It's possible that Miss H's financial circumstances weren't correctly reflected in either the information she provided, or any other information Satsuma obtained. And if her circumstances were different – which Miss H has said is the case – Miss H's actual financial position may well have been more apparent if further information – such as bank statements or more in-depth credit checks – had been obtained. Miss H has given us a copy of her credit report and I see it shows two CCJs (2014 and 2015) and she had been using other

short-term credit providers, but I wouldn't have expected Satsuma to have gathered such detailed information at the first point of lending to her.

Satsuma could only make a decision based on the information it had available at the time. That information – and the fact the loan was the beginning of the lending relationship – I don't think indicated there was a greater risk of the loan being unaffordable or unsustainable for Miss H.

In these circumstances, I don't think Satsuma needed to take further steps to verify the information provided – such as asking Miss H for evidence of her income and outgoings which Satsuma could have gathered from her bank statements or copies of any bills, as examples. I have considered the information that was provided to, and obtained by, Satsuma before it lent to Miss H. And there isn't anything in this information that may have led Satsuma to conclude that it should decline Miss H's application for the loan. And there isn't anything to have prompted it to ask for more information about Miss H. So, I don't think Satsuma was wrong to have provided this loan, based on the information it had.

So overall, in these circumstances, I think the assessment Satsuma did for this loan was proportionate. And I think its decision to lend to Miss H wasn't unreasonable. I appreciate my conclusion to Miss H's complaint will be a disappointment to her, but I hope I have managed to explain how and why I've reached it.

My final decision

For the reasons given above, I'm not uphold Miss H's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 15July2020.

Catherine Langley
Ombudsman