

Complaint

Mr M says Provident Personal Credit Limited trading at the time as 'Satsuma' irresponsibly lent to him.

Background

This complaint is about one loan Satsuma provided to Mr M in November 2017. The loan was for £500 payable over six monthly instalments. The highest monthly repayment for this loan was £158. I understand there is still an outstanding balance on this loan.

In its final response, Satsuma told Mr M it would not uphold his complaint. It said it had carried out the necessary proportionate checks for this loan.

Mr M said it was clear to him that his finances weren't sufficiently checked. If they had been it should have been clear that his situation was unsustainable. He told us that his recent financial history left him in a debt spiral as he was repaying over half his income for multiple loans, leaving him falling behind on his priority bills.

Our adjudicator didn't think this was a complaint that should be upheld. Mr M disagreed with our adjudicator's view. He referred to another ombudsman's decision in another case and pointed to the fact that this one had been upheld even as early as Loan 1. He said his situation was similar. He asked that the matter be referred to an ombudsman for 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 Mr M could repay the loans 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 Mr M 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 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.

Mr M feels strongly about his complaint and I want to assure him that I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for his complaint. I'm sorry to disappoint him but I will explain why I've decided not to uphold his complaint.

When it gave Mr M his loan, Satsuma said it had carried out a series of checks. These checks included a credit file search. Mr M also declared income and outgoings which Satsuma took into consideration and it also said it checked its database of information for its existing customers. It also explained that it also checked other information to ensure that any income and expenses declared were reasonable compared with people in similar circumstances. Sometimes it increased the amount, so it didn't underestimate the figures a consumer had given, and it looks like that's what happened in Mr M's case. It also said it considered past payment before deciding to lend if the consumer had borrowed from it before.

When Mr M took out his loan, he declared that he had an income of £2,500. He said his expenses were £950 per month. Satsuma increased these outgoings allowing for outgoings of around £1,500. Nevertheless, even after increasing Mr M's expenditure, it still reached the conclusion Mr M would have had around £807.60 in monthly disposable income even after he had made his loan repayment. This was more than sufficient to be able to make the payments Mr M was committed to making.

Bearing in mind what I've said above, about early in the lending relationship the checks Satsuma did should have been proportionate and reasonable. I think the levels of checks Satsuma carried out in this case, together with consideration of the income and expenditure details provided by Mr M were likely to have been proportionate. I have next gone onto consider whether based on the checks it did and the results it saw, if it had properly considered the information, Satsuma would have reached the conclusion that this loan was

affordable to Mr M. Following the checks it did, I've considered whether Satsuma should have made the decision to lend to Mr M.

Mr M has told us that he believes his previous records couldn't have been looked at sufficiently. He points to the fact that in the months leading up to November 2017 when he took out his loan with Satsuma, he was having financial difficulty which was recorded on his credit file and that he had recently defaulted on a payday loan. He says his debt had more than doubled in the previous twelve months. And he's explained that the information in his credit files would have left clear indicators that all was not right. He said he had recently taken out a credit card with a company related to Satsuma and at the time he had an escalating gambling issue which would have been clear on his bank statements.

As I've explained this was early in the relationship, so I don't think Satsuma would have needed to see Mr M's bank statements. And to be clear although Mr M has provided an extract of his credit report from that time and I have considered it carefully, I still think on balance, taking Mr M's circumstances in the round, that it was reasonable at this stage of the lending relationship to have relied on the information that Mr M provided and what Satsuma saw from its own credit search.

I've also seen a summary of the credit checks Satsuma carried out. I think it shows that four payments were in arrears within the last six months. However, there were no other obvious signs of difficulty taking the picture of Mr M's financial circumstances as a whole, which might have led it to have made some further checks. Based on the information Satsuma had there was no sign of bankruptcy or judgments against Mr M and there were no other payday loans recorded in the last three months at that time.

Based on this information, the amount of Mr M's declared income, his expenditure which took into account a number of different expenses including housing costs and the relatively low monthly payment for the first loan Mr M had taken out, I still don't think Satsuma would have been alerted to Mr M having problems managing money and at this point in its lending relationship I don't think it needed to do more to verify the information it had about Mr M's financial circumstances. I don't think based on the information Satsuma saw at the time would have been as detailed as any checks Mr M had about his own circumstances.

I appreciate Mr M fell into arrears after taking out his loan but at the point Satsuma gave him this loan, I don't think based on the checks it did it wouldn't have had reason to think Mr M wasn't able to sustainably meet his repayments. If the loan remains outstanding, I remind Satsuma of its duty to treat Mr M fairly in relation to this matter.

I've also thought about what Mr M has said about another case where the outcome was different. But each case is decided on its own facts and merits. So, the circumstances which apply in one case don't apply in another. I'm sorry to disappoint but Mr M but for the reasons I've given I don't uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint. Provident Personal Credit Limited doesn't need to take any steps to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 July 2020.

Nicola Woolf
Ombudsman