

## The complaint

Mr T complains that Provident Personal Credit Limited (trading as Satsuma Loans – ‘Satsuma’) irresponsibly lent to him.

## What happened

In 2018, Satsuma lent Mr T two loans. His borrowing history is as follows:

Loan	Date Taken	Date Repaid	Planned Instalments	Principal
1	29/01/2018	Outstanding	12	£800.00
2	15/07/2018	Outstanding	3	£300.00

When the complaint was made to this service, it appears there was an outstanding balance

Our adjudicator didn’t think this complaint should be upheld. Mr T disagreed with that view. He said he had taken out over 60 loans in a very short period from various other lenders. He had also made unsuccessful applications, which were refused because his credit was so poor. Other lenders had upheld his complaint and his bank statements showed that his borrowing was out of control.

## 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 Mr T 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).

It is important to say that Satsuma was required to establish whether Mr T could sustainably repay his loans— not just whether the repayments 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 Mr T's complaint.

I appreciate what Mr T said about his borrowing being out of control when he applied to Satsuma. I've had the benefit of seeing his bank statements and I note that they do show significant borrowing. However, the issue I have to look at is whether Satsuma should have agreed to lend to Mr T in light of what it knew and what it should have reasonably found out.

As I said above, early in the lending relationship, I wouldn't expect Satsuma to conduct a full review of Mr T's circumstances. I'd consider two loans in six months to be an early lending relationship. So at this stage, I wouldn't have expected Satsuma to request Mr T's bank statements.

I can see that for both loans, Satsuma asked Mr T for his income and expenditure, which he provided. At this early stage, Satsuma was entitled to rely on the information Mr T provided about his finances. It also ran a rather simple credit check, which showed that he was not insolvent.

At that stage, the checks Satsuma undertook were proportionate. From the information it gathered, the loan repayments appeared affordable when compared to his declared disposable income. And the credit check did not indicate that he was in financial trouble at that time.

I appreciate that in reality, Mr T's financial position was different to what Satsuma knew about it. But Mr T didn't disclose the extent of his financial trouble to Satsuma. And the proportionate checks it undertook didn't reveal those difficulties.

With all of this in mind, I'm sorry to disappoint Mr T, but for the reasons set out above, I don't uphold this complaint. However, if there is an outstanding balance, I remind Satsuma of its duty to treat Mr T fairly when negotiating a repayment plan.

### **My final decision**

I don't uphold this complaint. Provident Personal Credit Limited does not have to take any action to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 March 2020.

Nicola Bowes  
**Ombudsman**