

complaint

Ms W says Provident Personal Credit Limited, trading as Satsuma irresponsibly lent to her.

background

This complaint is about two loans Satsuma provided to Ms W between October 2017 and November 2017. A summary of Ms W's lending history, as evidenced by Satsuma, is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	12/10/2017	outstanding	12	£150.00	£24.90
2	18/11/2017	outstanding	12	£800.00	£132.80

Our adjudicator thought about Ms W's complaint and felt Satsuma had lent to her responsibly, and so didn't uphold Ms W's complaint. Ms W disagreed saying that at the time she was in financial difficulty and had been borrowing from several lenders, so it was irresponsible of Satsuma to lend to her. As Ms W disputed the initial assessment the complaint was passed to me 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 Ms W 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 Ms W 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 W's complaint.

Ms W's first loan was for £150.00 and as per the loan agreement her maximum monthly repayment during the term was £24.90. I've seen a record of the information Ms W provided when she completed her loan application. Ms W said she had a monthly income of £1500.00 at the time and monthly expenses of £1265.38. So, after deducting her regular monthly outgoings this means she was left with a disposable income of £234.62. So, it looked like she had enough disposal income to make her payments under this loan agreement.

At this point in the lending relationship I think it was reasonable for Satsuma to have relied on what Ms W told it about her income and expenditure, and I think it was reasonable of Satsuma not to investigate Ms W's circumstances any further at this point.

I haven't seen any evidence or other information that Satsuma collected at the time of this loan application that shows its likely it was made aware of any financial problems Ms W might've been having. Or anything that would've prompted it to investigate Ms W's circumstances further and I think it was reasonable for Satsuma to rely on the information it obtained. So, I've not found any reason to uphold the complaint about loan 1.

Ms W's second loan was for £800.00 and as per her loan agreement her monthly repayments were £132.80. But Ms W's first loan was still running, so her total monthly repayments to Satsuma were £157.70. At this time, she said her monthly expenses totalled

£1,254.48, which left her a disposable income of £545.52. So again, it looked like she had enough disposal income to make her payments under this loan agreement.

Ms W says these loans were not affordable for her and has provided her bank statement to show that around this time she was earning around £900.00 per month. Therefore, Ms W says that Satsuma shouldn't have lent to her. Had Satsuma completed a full review of Ms W's financial circumstances, I think this is something it ought to have uncovered. But, at this point in the lending relationship I think it was reasonable for Satsuma to have relied on what Ms W told it about her income and expenditure, and I think it was reasonable of Satsuma not to investigate Ms W's circumstances any further at this point.

It is of course possible that had Ms W taken further lending then Satsuma, as a reasonable lender, ought to have carried out further, more in-depth checks at that point. But considering Ms W hadn't taken out any prior loans with Satsuma, I don't think it had yet reached the stage where it needed to carry out further checks, such as verifying this information or enquiring into her wider financial circumstances.

I haven't seen any evidence or other information that Satsuma collected at the time of her loan applications that shows its likely it was made aware of any financial problems Ms W might've been having. Or anything that would've prompted it to investigate Ms W's circumstances further. So, I think it was reasonable for Satsuma to rely on the information it obtained.

So overall, in these circumstances, I think the affordability assessment Satsuma carried out for Ms W's loans were proportionate. And I think its decision to lend Ms W in these circumstances was reasonable. So, I'm not upholding Ms W's complaint.

my final decision

For the reasons outlined above, I don't think complaint should be upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 7 August 2020.

Sienna Mahboobani
Ombudsman