

Complaint

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

Background

Miss B borrowed £500 from Satsuma in March 2015. The loan was set to run for 39 weeks and Miss B's weekly contractual repayment was £23.08. Her highest monthly repayment was £115.40. From the information provided, I can see that there's still an outstanding balance on the loan.

In her complaint to this service, Miss B said she was given the loan despite being vulnerable with a poor credit rating.

Our adjudicator didn't think this complaint should be upheld. He said he'd reviewed the information Satsuma obtained when Miss B applied for her loan, including the credit reference information. He explained there wasn't anything in that information which meant it would have been proportionate to ask Miss B to verify what she was saying or showed that Miss B had underlying financial difficulties. Given the amount of the loan, her history with this lender and what was apparent about her circumstances, he didn't think it would have been proportionate to ask for more information which showed the lending was unsustainable.

Miss B didn't agree with our adjudicator's view. She said that she had several defaults on her credit file which Satsuma should have considered before it gave her the loan. As Miss B 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 Miss B 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 Miss B 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 Miss B's complaint. Having done this, I'm sorry to disappoint Miss B but I've decided not to uphold her 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 Miss B's financial circumstances. In this case, when thinking about what it knew about Miss B at the time as well as the monthly commitments she had, I think the checks it did were proportionate.

When Miss B applied for her loan, she declared her monthly income to be £1,500 and her monthly outgoings to be £1,000. Satsuma increased Miss B's outgoings, probably after carrying out the credit checks to ensure the figures Miss B provided at the time better reflected Miss B's circumstances. After doing this, Satsuma believed Miss B would be left with around £189 per month after her contractual loan repayments were taken into account.

Satsuma also carried out some credit checks. I can see that these checks didn't reveal any recent bankruptcy, or other debt management plan or any other judgments. In addition, based on the checks, Satsuma was aware that Miss B hadn't taken any other payday loans in the last three months. However, Satsuma was aware of one missed payment within the six months prior to taking out the loan. I've thought about this missed payment, but given everything else that Satsuma was aware of, I don't think this missed payment alone would've been enough to have alerted Satsuma to the fact that Miss B might have been having problems managing her money.

I appreciate what Miss B has said about other debts and defaults on her record. While, this information may appear on her credit report, the credit check results Satsuma obtained didn't show this, so it couldn't take this into account because it wasn't aware of it. And as I've

said above, there wasn't anything else to have alerted Satsuma to any other financial problems Miss B may have been having.

Overall in these circumstances, I think Satsuma 's assessment for this loan was proportionate and the checks it carried out showed it that Miss B should be able to afford the repayments she had committed to. It follows that I think when Miss B applied for her loan, Satsuma's decision to lend was reasonable.

As I said, I'm sorry to disappoint Miss B, but for the reasons I've explained I haven't upheld this complaint. I don't need to tell Satsuma to take any further action in respect of it.

My final decision

I don't uphold this complaint about Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 July 2020.

Nicola Woolf
Ombudsman