

complaint

Mr P says Provident Personal Credit Limited, trading as Satsuma, irresponsibly lent to him.

background

This complaint is about a loan Satsuma provided to Mr P in October 2018 for £800, to be repaid over 12 months.

Our adjudicator thought about Mr P's complaint and felt Satsuma had lent to him responsibly, and so didn't uphold Mr P's complaint. Mr P disagreed so, 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 Mr P 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 P 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr P's complaint.

why I think Sunny checks were proportionate for Mr P's loan

Mr P's loan was for £800.00 and as per the loan agreement he needed to payback £132.80 per month. I've seen a record of the information Mr P provided when he completed his loan application. Mr P said he had a monthly income of £2580.00 and monthly expenses of £500.00. This means after deducting his regular monthly outgoings this means he was left with a disposable income of £2080.00. Satsuma also says it allowed for an additional buffer and safeguards in its assessment of affordability for Mr P. So, it looked like he had enough disposal income to make his payments under this loan agreement.

Mr P has provided evidence that he had defaulted on some payments on a credit card he had with another credit provider which was also under the Provident Personal Credit Limited umbrella. He also says he used this credit card for gambling transactions. Mr P has provided some bank statements to evidence his financial difficulties at the time and says he had outstanding debts with other short-term lenders which would've shown up on his credit report. Therefore, Mr P says that Satsuma should've been aware of his financial situation and should've deemed him unsafe to lend based on this evidence. Had Satsuma completed a full review of Mr P'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 Mr P told it about his income and expenditure, and I think it was reasonable of Satsuma not to investigate Mr P's circumstances any further.

It is of course possible that had Mr P taken further lending then Satsuma, as a reasonable lender, ought to have carried out further, more in-depth checks at that point. But considering Mr P 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 his wider financial circumstances.

In any case, I have considered the evidence Mr P supplied about his financial history which he says ought to have led Satsuma to decide not to lend to him. But the information provided suggests that Mr P was having some difficulties with his finances in 2016, more than 1 year prior to his loan application with Satsuma.

I haven't seen any evidence or other information that Satsuma collected at the time of his loan application that shows its likely it was made aware of any financial problems Mr P might've been having. Or anything that would've prompted it to investigate Mr P'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 Mr P's loan was proportionate. And I think its decision to lend Mr P in these circumstances was reasonable. So, I'm not upholding Mr P's complaint.

In is response to our initial assessment on this complaint Mr P referred to another complaint he brought to our Service. However, each case is considered on it's own merits, and I cannot comment on the findings made in another case in this decision. I appreciate that this decision will come as a disappointment for Mr P, but I want to assure him that I've thought about and considered all the evidence that has been made available to me.

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 Mr P to accept or reject my decision before 24 July 2020.

Sienna Mahboobani
Ombudsman