

The complaint

Mrs K says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to her. Mrs K has said Satsuma didn’t carry out sufficient credit checks. She was borrowing from other short-term lenders, her borrowing was out of control and she got into a cycle of debt.

What happened

This complaint is about two short-term loans Satsuma provided to Mrs K between June and September 2017. Mrs K’s borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	02/06/2017	28/09/2017	3	£300.00	£147.60
2	22/09/2017	Outstanding	6	£500.00	£158.00

Our adjudicator didn’t uphold Mrs K’s complaint. They thought the checks Satsuma had carried out before lending to her were reasonable and the information it obtained wouldn’t have given it any cause to reconsider giving Mrs K the loans.

Mrs K didn’t agree. She said that Satsuma’s checks should have shown she was borrowing from other short-term credit providers. Mrs K asked for her complaint to be reconsidered.

As the complaint remains unresolved, it has been passed to me for decision in my role as ombudsman.

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 Mrs K could repay the loan 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 Mrs K 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 Mrs K's complaint. After doing so, I've decided not to uphold the complaint. I'll explain why.

Satsuma has told this service about the checks it carried out before approving the loans. This included information about Mrs K's income and expenditure to establish whether the loan was affordable for her. It also included a credit risk assessment and fraud and anti-money laundering checks.

For the first loan Mrs K's income was recorded as being £1,133 per month. Her expenditure was £540 a month to which Satsuma added a buffer amount of £62.85 per months. So, this would leave Mrs K with a disposable monthly income of £382.55 after taking account of the monthly loan repayment. Taking this into account I don't think the loan looks unaffordable on a pounds and pence basis.

And for loan two, Mrs K's income and expenditure was the same as recorded for loan one and Satsuma added a buffer of £244.30 which after taking account of the loan repayment

would leave her with a disposable income each month of £190.70. So again, I think the loan looks affordable.

As I've said above, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But I don't think there was anything in the information that Mrs K provided to Satsuma which would have caused it to be concerned that she was having problems managing her finances.

It's possible that Mrs K's financial circumstances weren't correctly reflected in either the information she provided, or any other information Satsuma obtained. And if her circumstances were different – which Mrs K has said is the case – Mrs K's actual financial position may well have been more apparent if further information – such as bank statements or more in-depth credit checks – had been obtained. Mrs K has given us a copy of her credit report and bank statements, and I see they show she had been using other short-term credit providers, but I wouldn't have expected Satsuma to have gathered such detailed information at the first point of lending to her.

Satsuma could only make a decision based on the information it had available at the time. That information – and the fact the loan was the beginning of the lending relationship – I don't think indicated there was a greater risk of the loan being unaffordable or unsustainable for Mrs K.

In these circumstances, I don't think Satsuma needed to take further steps to verify the information provided – such as asking Mrs K for evidence of her income and outgoings which Satsuma could have gathered from her bank statements or copies of any bills, as examples. I have considered the information that was provided to, and obtained by, Satsuma before it lent to Mrs K. And there isn't anything in this information that may have led Satsuma to conclude that it should decline Mrs K's application for the loans. And there isn't anything to have prompted it to ask for more information about Mrs K. So, I don't think Satsuma was wrong to have provided these loans, based solely on the information it had.

So overall, in these circumstances, I think the assessment Satsuma did for these loans was proportionate. And I think its decision to lend to Mrs K wasn't unreasonable. I appreciate my conclusion to Mrs K's complaint will be a disappointment to her – and I am sorry to hear about her personal circumstances – but I hope I have managed to explain how and why I've reached it.

My final decision

For the reasons given above, I'm not upholding Mrs K's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 3 August 2020.

Catherine Langley
Ombudsman