

## The complaint

Mr M says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to him. Mr M says he shouldn’t have been given any lending as it was unaffordable for him.

## What happened

This complaint is about two short-term loans Satsuma provided to Mr M between January 2018 and July 2019. Mr M’s borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	12/01/2018	15/03/2018	12 (monthly)	£1,000.00	£166.00
2	04/07/2019	Outstanding	12 (monthly)	£1,000.00	£166.00

Our adjudicator didn’t uphold Mr M’s complaint. The adjudicator didn’t think it would have been proportionate for Satsuma to have asked Mr M for the amount of information needed to show the lending was unsustainable.

Mr M disagreed. He said he was using other short-term credit providers at the same time that he borrowed from Satsuma. As a result, he shouldn’t have been given the loans.

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 Mr M 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 M could sustainably repay his loan – 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 the arguments, evidence and information provided in this context and what this all means for Mr M's complaint. Having done 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 borrowing. It asked Mr M about his income and expenditure. He confirmed he had a monthly income of £2,200 for loan one and £1,544 for loan two. After taking into account his outgoings his disposable income for loan one was £1,680 (which Satsuma reduced to £1,060 after making its own checks) and £1,244 for loan two (reduced by Satsuma to £637) for loan two. And using these figures for its income and expenditure checks, Satsuma deemed the monthly repayments of £166 for both of the loans to be affordable to Mr M.

And given these were the first loans Mr M had taken with Satsuma, I think the checks it carried out were sufficient at such an early period in the borrowing relationship. I wouldn't have expected it to have carried out any further in-depth checks or taken additional steps to verify the information it had. I think it was reasonable for Satsuma to have relied upon that information in making its decision about whether to lend to Mr M.

I do accept it's possible that Mr M's financial circumstances weren't correctly reflected in the information he provided, or the information Satsuma obtained as a result of its own checks – in response to the adjudicator Mr M said he was using other short-term credit providers. If this was the case, Mr M's actual financial position may well have been apparent if further information – such as bank statements or more in-depth credit checks – had been obtained.

But Satsuma could only make a decision based on the information it had available at the time. And as it was still in the early stages of the lending relationship, I don't think it reached the stage where there was a greater risk of the loans being unsustainable for Mr M. From the information available, the loan repayments appear to be affordable and sustainable for Mr M.

Overall, in these circumstances, I think the assessments Satsuma did for these loans were proportionate and it was reasonable for it to have concluded the lending was affordable for Mr M. I think its decision to lend to Mr M was reasonable.

I appreciate my findings are likely to disappoint Mr M, but I hope my explanation will help him understand how I've reached this conclusion.

### **My final decision**

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 June 2020.

Catherine Langley  
**Ombudsman**