

## The complaint

Mrs M says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to her. Mrs M has said Satsuma didn’t ask her for enough information to find out if the loans were affordable for her. The lending has left her in debt, and she has suffered mentally and financially.

## What happened

This complaint is about five short-term loans Satsuma provided to Mrs M between August 2015 and July 2016. Mrs M’s borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Monthly Repayment
1	05/08/2015	30/11/2015	13 weekly	£300.00	£161.55
2	06/01/2016	29/02/2016	21 weekly	£500.00	£204.75
3	04/03/2016	05/05/2016	34 weekly	£1,000.00	£292.65
4	20/05/2016	15/06/2016	26 weekly	£1,000.00	£368.25
5	07/07/2016	Outstanding	43 weekly	£1,100.00	£254.55

Our adjudicator didn’t uphold Mrs M’s complaint. They thought the checks Satsuma had carried out before lending her loans one to three were reasonable and the information it obtained wouldn’t have given it any cause to reconsider giving Mrs M the loans. For the later loans, loans four and five, the adjudicator thought that Satsuma should have sought to build a more detailed picture of Mrs M’s financial circumstances but from the information provided there was nothing to suggest the lending was unaffordable for her.

Mrs M didn’t agree with the adjudicator. She says she was using other short-term lenders and was juggling her finances to make the loan repayments.

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 M 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 M 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 M'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 M's income and expenditure to assess whether the

loans were affordable for her. It also included a credit risk assessment and fraud and anti-money laundering checks.

Satsuma asked Mrs M about her employment status, and she confirmed she was employed and had a monthly income of between £3,300 and £3,500. Satsuma also checked Mrs M's normal monthly living costs. Mrs M declared these to be between £1,995 and £3,137 (these amounts included the safeguard buffers added by Satsuma). Because of this, I don't think the loan repayments look unaffordable on a pounds and pence basis, based on the information Mrs M had declared to Satsuma.

For Mrs M's first three loans there wasn't anything in the information that Mrs M provided which would have given Satsuma cause for concern, so I think it was reasonable of Satsuma to have relied upon what Mrs M had declared. I think these factors had an impact on what level of checks would have been appropriate for Satsuma to have carried out. Given these, I think the checks Satsuma did before lending the loans went far enough and the checks it carried out showed the loans were affordable. So, I wouldn't have expected for Satsuma at this stage to have undertaken more in-depth checks.

When Mrs M took loan three the amount borrowed had doubled from the previous borrowing to £1,000 so there was the potential sign that Mrs M's financial circumstances were getting worse. For loan four, while I appreciate the amount borrowed stayed the same as loan three and the agreed term had reduced, the monthly repayments had increased. And Mrs M had now been borrowing over seven consecutive months, so I think for loans four – and loan five – this continued borrowing and for a relatively high sum, should have given Satsuma some cause for concern about what Mrs M was telling it about her financial position. I think Satsuma should have taken steps to verify the information Mrs M was providing. It could have done so by – and not limited to – asking Mrs M for her bank statements or for copies of her payslips and bills as examples.

But I can't know what this would have shown. Mrs M hasn't been able to provide us with any additional information – such as copies of her bank statements from around the time of the lending. Mrs M has told us she changed banks so hasn't been able to provide us with anything more.

Satsuma's own customer contact records show that Mrs M had sometimes missed payments on earlier lending because of cash flow problems but this was always resolved. And I note from the credit check Satsuma carried out that Mrs M had two accounts in arrears but no record of short-term loans in the last three months. There were also up to eight searches on her credit status in the previous 12 months. But the credit check also showed that Mrs M had no county court judgments, was not in a bankruptcy or in a debt management plan.

So I don't think this information alone would lead me to say the borrowing was unaffordable for Mrs M. We don't have enough information to see what Satsuma would have seen if it had carried out proportionate checks for loans four and five. As such, I can't safely conclude that Satsuma was wrong to have agreed to these two loans with Mrs M.

So overall, in these circumstances, I think the assessments Satsuma did for loans one to three was proportionate. And I think its decision to lend to Mrs M wasn't unreasonable. And for loans four and five, while I think Satsuma should have done more to build up a picture of Mrs M's financial circumstances, I can't know what it would have found if it had carried out those additional checks. So, I can't safely say Satsuma was wrong to have given her loans four and five.

I appreciate my conclusion to Mrs M's complaint will be a disappointment to her, but I hope I have managed to explain how and why I've reached it.

I note that loan five is still outstanding and I would remind Satsuma of its obligation to treat Mrs M fairly when arranging repayment.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 14August2020.

Catherine Langley  
**Ombudsman**