

## The complaint

Mr K complains that Provident Personal Credit Limited, trading as Satsuma, lent to him in an irresponsible manner.

## What happened

In October 2016, Satsuma gave Mr K a loan of £300. The loan was repayable in 30 weekly instalments of £19.90.

Mr K says that Satsuma shouldn't have given him the loan because at the time, he was a full-time student and his only source of income was a student loan and infrequent support from family or emergency support from the university. He says that he was using his student account overdraft and had applied for multiple payday loans. Mr K says that he made many of his repayments late, which caused him stress and meant he incurred late payment charges. He says that Satsuma should have asked to see his bank statements in order to assess his financial situation at the time.

One of our adjudicators looked at what had happened. She didn't think that Satsuma acted irresponsibly in giving Mr K the loan.

Mr K didn't agree with the adjudicator. He said, in summary:

- He feels Satsuma led him to believe that his student loan and his parents' financial contribution should be counted as income and it should not have done so.
- He received his student loan for only nine months of the year and the monthly repayments were a quarter of his monthly student loan.
- His rent is shown as zero but he paid rent of £390 during term time, which is more than the monthly amount of his student loan.
- Satsuma identified that he said his other outgoings were zero but didn't investigate that further.
- His bank balance was around -£2,000 at the time, which was the maximum amount of his overdraft.
- Satsuma didn't check his source of income.
- Satsuma didn't consider his history of problem gambling.

The adjudicator considered what Mr K said but didn't change her view. As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

## 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 K 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 customer'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.

Satsuma was required to establish whether Mr K could sustainably repay the 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 Consumer Credit Sourcebook ("CONC") defines 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 K's complaint. Having done so, I don't think that Satsuma was wrong to lend to Mr K and I'll explain why.

Mr K told Satsuma that he lived with his parents and that his monthly income was £1,200. He said that he had no housing costs, financial commitments or other expenditure. Satsuma proceeded on the basis that Mr K's outgoings were £536.91. It did that after taking into account information it had gathered from its searches and based on its internal models. I think that approach was fair, as it's highly unlikely that an individual has no outgoings, even when living with parents.

Bearing in mind this was Mr K's first loan with Satsuma, I don't think that Satsuma was required to probe further into what Mr K said. I don't think that proportionate checks required Satsuma to ask for Mr K's bank statements. I think that Satsuma was entitled to rely on what Mr K said. So, Satsuma wasn't aware of the true position of Mr K's finances.

Satsuma calculated that with a monthly income of £1,200 and assessed outgoings of £536.91, Mr K could afford to make the loan repayments of £19.90 a week. I think that was a reasonable conclusion.

Mr K has mentioned his credit report. The information a prospective lender receives from a credit check is much more limited than that which Mr K can see from his own credit report. There's nothing in the results of Satsuma's credit check that meant it should have decided not to lend to Mr K.

Mr K has referred to incurring late payment charges but Satsuma didn't charge him for late payment. It also tried to assist with temporary repayment arrangements when Mr K was in difficulty.

I'm sorry to disappoint Mr K but, for the reasons I've explained, I don't think that Satsuma was wrong to lend to him.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold Mr K's complaint.

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

Louise Povey  
**Ombudsman**