

The complaint

Mrs C says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to her. Mrs C has said the lending was unaffordable for her and Satsuma didn’t carry out sufficient affordability checks. Mrs C says got into a spiral of debt and her already poor financial situation worsened as a result of the borrowing.

What happened

This complaint is about two short-term loans Satsuma provided to Mrs C between September 2015 and March 2017. Mrs C’s borrowing history is as follows:

Loan No:	Date Taken	Date Repaid	Weekly Instalments	Loan Amount	Highest Monthly Repayment
1	18/09/2015	25/05/2016	52	£700.00	£110.85
2	23/03/2017	31/10/2017	52	£800.00	£132.69

Our adjudicator didn’t uphold Mrs C’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 C the loans. It wouldn’t have been proportionate for Satsuma to have asked Mrs C for the amount of information needed to have shown the lending was unsustainable for her.

Mrs C didn’t agree with the adjudicator and asked for her complaint to be reviewed by an ombudsman, so it has been passed to me for decision.

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.

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 C 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 C 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 C's complaint. After doing so, I've decided not to uphold the complaint. I'll explain why.

I should first say I am satisfied that these are two separate loans and not a chain in lending. I say this because of the ten month break between loan one being repaid and loan two being taken. I think this was a sufficient enough length of time for Satsuma to have reasonably concluded that Mrs C had resolved whatever financial difficulties she may have been in that had caused her to take this type of lending at the outset.

Satsuma has told this service about the checks it carried out before approving the loans. This included information about Mrs C's income and expenditure to assess whether the loans were affordable for her. Satsuma also carried out credit checks.

For the first loan Mrs C's income was recorded as being around £1,620 per month. Satsuma manually asked for evidence of Mrs C's income. After taking account of Mrs C's expenditure to which Satsuma added a safeguard buffer amount this would leave Mrs C with a disposable monthly income of around £207 after taking account of the monthly loan repayment. On this basis, I don't think the loan looks unaffordable on a pounds and pence basis.

For loan two, Mrs C's monthly income was recorded as being around £1,700. Again, after taking account of Mrs C's expenditure, Satsuma adding a buffer and taking account of the loan repayment I think the loan looks affordable. In addition, the credit checks for both of the loans didn't show any other short-term lending commitments, any adverse credit records such as arrears, IVAs, county court judgments or debt management plans.

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

It's possible that Mrs C'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 Mrs C's actual financial position may well have been more apparent if further information had been obtained. But I don't think there is anything in the information Mrs C gave and Satsuma obtained – including the additional income checks it carried out - that would have caused it to look further into Mrs C's financial situation.

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

In these circumstances, I don't think Satsuma needed to take any further steps to verify the information provided. I have considered the information that was provided to, and obtained by, Satsuma before it lent to Mrs C. And there isn't anything in this information that may have led Satsuma to conclude that it should decline Mrs C's applications for the loans. And there isn't anything to have prompted it to ask for more information about Mrs C. 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 assessments Satsuma did for these loans was proportionate. And I think its decision to lend to Mrs C wasn't unreasonable. I appreciate my conclusion to Mrs C's complaint will be a disappointment to her, 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 1 October 2020.

Catherine Langley
Ombudsman