

The complaint

Mrs H says Provident Personal Credit Limited, trading as Satsuma ("Satsuma"), irresponsibly lent to her. Mrs H says she had a poor credit history which cannot have been checked. She was in a desperate situation and the high interest loan didn't help her financial situation.

What happened

This complaint is about one short-term loan Satsuma provided to Mrs H in March 2018. Mrs H's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	04/03/2018	25/03/2019	12	£410.00	£68.06

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

Mrs H disagreed. She said she had two other similar complaints already upheld by this service. She said there were no checks around her debts or request for bank statements. The high cost credit interest didn't help her financial situation.

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 H 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 Mrs H could sustainably repay her 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 Mrs H's complaint. Having done so, I've decided not to uphold the complaint. I'll explain why.

Mrs H has said she had two other similar complaints upheld by this service. I should say that this service looks at each complaint on its own particular merits and circumstances. So, while I appreciate what Mrs H has said about this, I will only be considering this complaint on its own individual merits.

Satsuma has told this service about the checks it carried out before approving the borrowing. It asked Mrs H about her income and expenditure. She confirmed she had a monthly income of £2,100. After taking into account Mrs H's outgoings her disposable income was £1,098 (which Satsuma reduced to £1,002 after making its own checks). And using these figures for its income and expenditure checks, Satsuma deemed the monthly repayments of £68.06 to be affordable to Mrs H.

And given this was the first loan Mrs H 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 Mrs H.

I do accept it's possible that Mrs H's financial circumstances weren't correctly reflected in the information she provided, or the information Satsuma obtained as a result of its own checks. Mrs H'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 loan being unsustainable for Mrs H. From the

information available, the loan repayments appear to be affordable and sustainable for Mrs H.

Overall, in these circumstances, I think the assessments Satsuma did for this loan was proportionate and it was reasonable for it to have concluded the lending was affordable for Mrs H. I think its decision to lend to Mrs H was reasonable.

I'm sorry to hear Mrs H has been struggling financially, and I appreciate my findings are likely to disappoint Mrs H, but I hope my explanation will help her understand how I've reached this conclusion.

My final decision

My final decision is that I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 16 October 2020.

Catherine Langley
Ombudsman