

The complaint

Ms C says Provident Personal Credit Limited, trading as Satsuma, irresponsibly lent to her.

What happened

This complaint is about two loans Satsuma provided to Ms C between March 2017 and May 2017. Details of Ms C's lending history, as evidenced by Satsuma, is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	12/03/2017	24/04/2017	6	£300.00	£94.80
2	09/05/2017	outstanding	9	£1000.00	£222.00

Our adjudicator thought about Ms C's complaint and felt Satsuma had lent to her responsibly, so she didn't uphold Ms C's complaint. Ms C disagreed so, the complaint was passed to me for a final 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.

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 Ms C 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 Ms 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 Ms C's complaint.

why I think Satsuma's checks were proportionate for Ms C's loan

For Ms C's first loan of £300.00 she needed to payback monthly instalments £94.80. I've seen a record of the information Ms C provided when she completed her loan application. Ms C said she had a monthly income of £1,500.00 and monthly expenses of £500.00. So, after deducting her regular monthly outgoings she was left with a disposable income of £1000.00 per month. So, it looked like she had enough money to make her payments under this loan agreement. Satsuma, in its affordability assessment, added in extra safeguards for Ms C and recorded her disposable income £813.62, to allow for some additional expenses in the month. Even with these safeguards in place it looks like Ms C had enough money to make her repayments of £94.80 per month.

Similarly, for loan 2 Ms C borrowed £1,000.00 and had to pay back monthly instalments of £222.00. At this time Ms C had the same income and expenses. So, she still had a monthly disposable income of £1,000.00. Again, Satsuma added in some safeguards and recorded her monthly disposable income at £837.02. And even with these safeguards it looks like Ms C had more than enough to make her repayments for her second loan and so it seemed that this loan was affordable for her.

Ms C says she lost her job during the term of loan 2 and that made this loan unaffordable for her. Ms C says at this point she went on benefits and these hardly met her monthly outgoings, so she was no longer able to afford the loan. I've seen that Ms C went into arrears on her loan and this is still outstanding. I'm sorry to hear Ms C has been suffering financial hardship since losing her job, but at the point Satsuma lent Ms C loans 1 and 2 I'm satisfied that these loans were affordable for her and that Satsuma carried out a proportionate check of her circumstances before agreeing to the lending.

It is of course possible that had Ms C taken further lending then Satsuma, as a reasonable lender, ought to have carried out further, more in-depth checks at that point. But considering Ms C hadn't taken out any prior loans with Satsuma, I don't think it had yet reached the stage where it needed to carry out further checks, such as verifying this information or enquiring into her wider financial circumstances. In any event, Ms C says she hit financial difficulty after she had taken out loan 2, and so this is not something Satsuma would've been able to consider at the point of agreeing to the loan.

I haven't seen any evidence or other information that Satsuma collected at the time that shows its likely it was made aware of any financial problems Ms C might've been having. Or anything that would've prompted it to investigate Ms C's circumstances further. So, I think it was reasonable for Satsuma to rely on the information it obtained.

So overall, in these circumstances, I think the affordability assessment Satsuma carried out for Ms C's loans was proportionate. And I think its decision to lend to Ms C in these circumstances was reasonable. So, I'm not upholding Ms C's complaint.

I appreciate that this decision will come as a disappointment for Ms C, but I want to assure her that I've thought about and considered all the evidence that has been made available to me.

My final decision

For the reasons outlined above, I don't think complaint should be upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 23 October 2020.

Sienna Mahboobani
Ombudsman