

The complaint

Mr C complains that Provident Personal Credit Limited trading as Satsuma Loans gave him loans that were unaffordable and didn't properly check whether Mr C could pay them back.

What happened

Satsuma gave Mr C six loans between March 2015 and December 2019. Loans 1-3 were taken in quick succession. There was a gap of just over a year after Mr C repaid loan 3 before Mr C took out loan 4. There was a further significant gap of just under two years between Mr C repaying loan 5 and taking out loan 6. A summary of Mr C's borrowing is below.

| Loan | Date Taken | Date Repaid | Instalments | Loan Amount | Maximum Combined Repayment |
|------|------------|-------------|-------------|-------------|----------------------------|
| 1 | 13/03/2015 | 17/06/2015 | 13 weeks | £1,000.00 | £538.45 |
| 2 | 18/06/2015 | 23/12/2015 | 26 weeks | £1,000.00 | £326.90 |
| 3 | 22/12/2015 | 17/08/2016 | 34 weeks | £1,500.00 | £438.95 |
| 4 | 05/09/2017 | 11/12/2017 | 13 weeks | £300.00 | £165.10 |
| 5 | 11/12/2017 | 23/02/2018 | 3 months | £300.00 | £147.60 |
| 6 | 06/12/2019 | Outstanding | 52 weeks | £400.00 | £76.55 |

Mr C says that these loans made his financial position worse. He wants a refund of interest and charges. One of our adjudicators assessed Mr C's complaint. She didn't think that Satsuma had lent to Mr C irresponsibly. So, she didn't ask the business to do anything further.

Mr C didn't agree with the adjudicator. He said that the information contained in his complaint hadn't been taken into account. As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide. This is the final stage in our process.

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 so I won't repeat them in this decision.

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 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 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 C could sustainably repay his 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 Office of Fair-Trading Irresponsible Lending guidance 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 C's complaint. Having done so, I agree with the adjudicator that Satsuma didn't act unfairly here. I'll explain why.

In relation to loans one to three, given the loan amounts, the level of repayments and what was apparent about Mr C's circumstances at the time, I don't think it would've been proportionate for Satsuma to ask Mr C for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr C provided or the information Satsuma should've been aware of, which meant it would've been proportionate for it start verifying what Mr C was saying about his finances.

I say this because, for loans 1-3 Mr C told Satsuma that he was earning around £2550 per month and his outgoings were between £950 and £1050. The loan repayment amounts looked easily affordable on these figures and there was nothing in the credit checks carried out by Satsuma that would have suggested that Mr C was struggling with debts. Satsuma used much lower figures when calculating the affordability of this loan.

I agree that the loans were taken in quick succession and had this pattern continued I would have expected Satsuma to have carried out more checks. But after Mr C repaid loan 3 in full he didn't ask to borrow again for a year.

At the point of taking out loan 4 Mr C asked for much less than he had borrowed for loan 3 and so I think it was reasonable for Satsuma to consider that any short-term financial difficulties had passed by now and treat this as a new chain of lending. For this loan Mr C said he was earning just under £3000 per month and his outgoings were £940 which appeared to be affordable. Loan 5 was for the same amount as loan 4 and was taken out on the same day as loan 4 was repaid but it was repaid in full and on time in February 2018. Mr C didn't ask to borrow again until December 2019.

So, looking at the overall pattern of Mr C's lending history with Satsuma. I don't think that it indicates that Satsuma should reasonably have seen that the lending was unsustainable, or otherwise harmful. Mr C was using the credit on a short-term basis and was reducing the amounts he borrowed.

I don't doubt that Mr C was borrowing elsewhere and had become reliant on short term credit, but this wasn't evident on the credit checks carried out by Satsuma. The information available to lenders is often not as comprehensive as the information a borrower has on a credit report and not as up to date.

I'm sorry to disappoint Mr C but for the reasons I've explained, I don't uphold his complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 March 2021.

Emma Boothroyd
Ombudsman