

## The complaint

Mr H (via a representative) complains Provident Personal Credit Limited (trading as Satsuma) lent to him irresponsibly.

## What happened

Mr H took four instalment loans between February 2015 and March 2019. I've included some of the information we've received about these loans in the table below.

Loan Number	Loan Amount	Date of loan	Actual Repayment Date
1	£100	28/02/2015	12/06/2015
2	£500	16/01/2016	22/04/2016
3	£400	31/01/2019	03/05/2019
4	£1,600	18/03/2019	outstanding

When we received the complaint, Satsuma told us there was an outstanding balance due for loan 4.

Our adjudicator didn't think it was wrong to have granted the instalment loans. He thought the checks completed by Satsuma went far enough and the income and expenses declared by Mr H showed the loans were affordable. The adjudicator also felt that as Mr H didn't inform Satsuma of any personal difficulties when the applications were made, it couldn't take such difficulties into account before lending.

Mr H disagrees with the adjudicator's assessment. In summary, Mr H says that:

- he couldn't afford the loans when they were lent;
- Satsuma didn't do enough checks to ensure he could afford the loans and
- he was having a tough time personally and didn't know what he was doing because of his health difficulties.

As no agreement has been reached, the case has been 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 had to assess the loan applications to check if Mr H could afford to pay back the amounts he was borrowing without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Satsuma's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments and Mr H's income and expenditure. With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate.

But certain factors might suggest Satsuma should have done more to establish that any lending was sustainable for Mr H. These factors include:

- Mr H having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr H having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr H coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr H.

Satsuma was required to establish whether Mr H could *sustainably* repay his instalment loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr H was able to repay his loans sustainably. But it doesn't automatically follow that this is the case. The Financial Conduct Authority (the industry regulatory) says in the Consumer Credit Sourcebook ("CONC") that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr H's complaint.

#### *loans 1 and 2*

Loan 1 (£100) was taken out over 13 weeks with weekly repayments of around £11. Mr H declared an income of £1,733 and, it appears, no expenses at the time of the loan application. Satsuma also carried out a credit check and considered as expenses any undeclared credit commitments that it could see together with a further buffer. This meant Satsuma used overall expenditure of £812.30 when assessing the application.

Considering the amount being lent and with no previous lending history, I think the checks went far enough. And based on the checks Satsuma completed I'm satisfied that loan 1 would've seemed affordable and sustainable.

I can see that a few scheduled repayments were missed during loan 1 and that the loan was repaid one week late. From what I can see though weekly payments were mostly paid throughout the actual term of the loan and no defaults or late payment fees were charged.

There was also then a distinct and significant break before loan 2 was lent. So, whilst I appreciate that Mr H hadn't made every repayment for loan 1 on the due date, overall, I think Satsuma could assess loan 2 afresh as the start of a new lending relationship.

Loan 2 (£500) was also repayable over 13 weeks with weekly repayments of around £55. I understand Mr H didn't declare any expenses but said his income was £1,700. Following a

credit check and using its own internal guidance for expenses, Satsuma assessed the loan using expenditure of £962.89 as a safeguard.

I think at this stage of lending the checks went far enough and it was fair for Satsuma to think loan 2 would be affordable and sustainable.

I think it's important to say that I don't think Satsuma was required to complete a full review of Mr H's circumstances for either loan 1 or 2. I don't think from what Satsuma knew of Mr H's circumstances or the level and history of lending it needed, for example, to start verifying information that Satsuma was told and discovered about Mr H.

I also appreciate Mr H says he was having a difficult time personally. I'm not aware though that his difficulties were mentioned to Satsuma. So, it couldn't reasonably take these into account before it provided the loans.

So, looking at everything together, I've found that Satsuma wasn't wrong to lend.

#### *loans 3 and 4*

Loan 3 (£400) was lent more than two years after loan 2 had been repaid. I agree with the adjudicator that this loan was therefore the start of a new lending relationship.

Satsuma agreed to Mr H's application after he provided details of his monthly income and expenditure as well as having considered the results of a credit check.

Based on what Satsuma was told and adding in safeguards, the information suggested that Mr H would be able to make the repayments he was committing to. It was the beginning of a new lending relationship and I think the checks it carried out were proportionate. And considering what Mr H declared about his monthly income (around £1,950) and his monthly expenditure (£509) plus the additional safeguards Satsuma used to assess the loan (£143.24), the repayments of around £44 per week appeared affordable based on this information. So I don't think it was wrong to have provided loan 3.

I appreciate loan 3 hadn't been repaid when loan 4 (£1,600) was lent and that the level of lending had increased. But loan 3 was due to be repaid before the scheduled payments for loan 4 were due to start. I can see that Mr H called up to pay some missed payments for loan 3 prior to the start of the monthly payments for loan 4. I understand Mr H explained to Satsuma that they'd been a delay in receipt of his wages at one point and that he wasn't struggling financially. And loan 3 was repaid without any late fees or defaults and with regular payments being made.

So, overall, I've not seen quite enough evidence to indicate that Satsuma ought to have built up a more detailed picture of Mr H's finances for loan 4. As I've said, his repayment history for loan 3 wasn't concerning as it appears all payments had been made on time and it was still relatively early in this lending relationship.

The income and expenditure Satsuma used to assess loan 4 (based on Mr H's declared income and expenses together with additional safeguards) left him with a monthly disposable income of just over £1,000. So, I think the monthly instalments of around £266 would've seemed affordable and sustainable.

I'm sorry to hear that Mr H was struggling financially and repaying these loans has proved difficult. And I accept that Mr H's full financial circumstances may not have been reflected in

either the information he provided, or the other information Satsuma may have seen in its credit checks. And it might be that Mr H's actual financial position may well have been apparent if further information – such as bank statements – had been obtained.

But I don't think it had yet reached the point either in the lending relationship or based on what Satsuma knew about Mr H, that meant it needed to verify the information. So, I don't think that it could or should have known that Mr H was having financial difficulties at the time.

It is of course possible that, had Mr H continued to borrow from Satsuma, then it may have needed to have carried out further, more in-depth, checks which may have involved asking for evidence of Mr H's financial position. But considering Mr H took two loans in this period and these appeared affordable, I don't think Satsuma was wrong to have provided them.

Mr H's significant financial difficulties seemed to come to light after the scheduled repayments for loan 4 were due. And I can see that he informed Satsuma he'd had an illness and hadn't been working. Satsuma through its proportionate checks for loans 3 and 4 wouldn't though have been aware of such difficulties when considering the applications and Mr H also didn't appear to mention any personal difficulties that Satsuma ought to have considered before lending.

As this is the case, I'm not upholding Mr H's complaint about these loans. I appreciate this will be disappointing for Mr H. But I hope that he'll understand why I've reached the findings that I have.

I understand Satsuma has worked with Mr H and suggested an affordable repayment plan for loan 4 because of his financial difficulties. I think this was a reasonable response in the circumstances although I would remind Satsuma of its obligation to treat Mr H fairly.

### **My final decision**

For the reasons I've explained above, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 March 2021.

Robert Walker  
**Ombudsman**