

## The complaint

Mr A complains Provident Personal Credit Limited (trading as Satsuma) lent to him irresponsibly. He also complains about the way his complaint was administered.

## What happened

Mr A took an instalment loan in March 2018. I've included some of the information we've received about the loan in the table below.

Loan Number	Loan Amount	Date of loan	Actual Repayment Date
1	£1,000	04/03/2018	28/07/2019

Our adjudicator didn't think it was wrong of Satsuma to have granted the instalment loan. He thought the checks completed by it went far enough. The adjudicator didn't think Satsuma needed to ask for further information, such as bank statements, to support the lending decision. So, based on what Mr A said about his circumstances, the adjudicator thought it wasn't wrong to lend.

The adjudicator also thought Satsuma had responded fairly to Mr A's concerns about the way it had administered his complaint.

In error, Satsuma had acknowledged Mr A's complaint to a third party, a claims management company. Satsuma apologised for this and sent Mr A £50 in recognition of what had happened. I understand Satsuma has also contacted the third party and asked for the correspondence to be removed from its records. The adjudicator thought this was a reasonable outcome.

Mr A disagrees with the adjudicator's assessment. He says that Satsuma shouldn't have lent to him because he had several loans with other lenders which was evident from his bank statements. He also says that he paid a lot of interest for this loan. Finally, Mr A also doesn't think Satsuma's response to his complaint about the administrative error is fair.

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 application to check if Mr A could afford to pay back the amount 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 A'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 A. These factors include:

- Mr A 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 A 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 A 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 a lending history and pattern of lending itself clearly demonstrates that lending may be unsustainable.

Satsuma was required to establish whether Mr A could *sustainably* repay his instalment loan – 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 A was able to repay his loan 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 A's complaint.

### *irresponsible lending*

Firstly, I'd like to address Mr A's concerns about the level of interest he had to pay.

The total amount Mr A was scheduled to repay for his loan was £1,896 – meaning the interest payable (in addition to the principal of £1,000) was £896. The regulator imposed a price cap on this type of loan, the most Satsuma could charge overall being no more than 100% of the principal. From what I can see, although the loan was repaid later than scheduled, Mr A didn't pay any additional interest, fees or charges. The amount of interest Mr A paid on this loan was therefore within the price cap.

So, I don't think the amount charged for the loan was unfair. It follows that I've not found that Satsuma shouldn't have lent because of the level of interest added to the instalment loan.

The instalment loan was taken out over six months with monthly repayments of £316. Mr A declared an income of £1,400 and expenditure of £350 (including £250 in financial commitments). Mr A's living cost seem very low but 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 £722.65 when assessing the application and I consider this amount to be reasonable.

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

I'm sorry to hear that Mr A was struggling financially and repaying the loan has proved difficult. I can see that it took Mr A much longer to repay the loan than scheduled. And I accept that Mr A'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 A's actual financial position (including the other lending he has said was outstanding) 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 A, that meant it needed to verify the information. So, I don't think that it could or should have known that Mr A was having financial difficulties at the time.

It is of course possible that, had Mr A 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 his financial position. But considering Mr A took one loan and the loan appeared affordable, I don't think Satsuma was wrong to have provided it.

#### *administrative error*

From what I've seen it's clear (and Satsuma accepts) that Mr A will have been concerned and upset by what happened. After all, Satsuma disclosed some personal information to a third party who had nothing to do with Mr A or Satsuma in connection with his complaint.

The awards that we may make for trouble and upset are not designed to punish Satsuma for its error. Any award we may recommend is designed to reflect the trouble and upset that an individual has experienced. I've also thought about what action has been taken to ensure the disclosed information is no longer held by the recipient. Overall, I can't see any lasting harm or problem as a result of Satsuma's mistake here.

Ultimately, I think Satsuma's offer of £50 is fair and reasonable, considering the inconvenience that Mr A experienced – which I've outlined above. I understand Mr A has banked the cheque he has received.

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

#### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 April 2021.

Robert Walker  
**Ombudsman**