

The complaint

Mr D complains that Provident Personal Credit Limited trading as Satsuma lent to him irresponsibly.

What happened

Mr D was approved for one loan on 19 July 2016. It was for £1,000 repayable over 52 weeks at just over £38 each week. This translates into about £166 a month.

Mr D informed Satsuma that his net monthly income was around £2175, his outgoings for housing costs, financial commitments and other expenditure came to £1,095. This gave a potential disposable income each month of around £1,080.

Satsuma explained that it carried out credit searches, used that information and increased the amount Mr D appeared to be committed to on financial expenditure to around £630 each month. These checks led to Satsuma considering Mr D's monthly outgoings to be around £1,759 and his calculated disposable income to be around £415. As the expected repayments were scheduled to be around £166 a month then Satsuma says that it appeared affordable.

One of our adjudicators looked at the complaint and thought that Satsuma need not do anything to put things right. Mr D disagreed and explained that he had a lot of additional debt at the time: *'I was and still am in massive financial distress and not being in work now is affecting my mental health.'* Mr D went on to say that he was in a financial mess at the moment and needs a break. I am sorry to hear this.

The complaint remained unresolved and was passed to me for a 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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Satsuma needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr D could repay the loans in a sustainable manner. These checks could include several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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: where a customer's income is particularly low; where the repayments are particularly high; and/or where the frequency of the loans and the length of time over which a

customer has been given loans need to be looked at: repeated refinancing could 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. But I do not think that this applies to Mr D's circumstances as he received one loan which is not enough to make a pattern.

Satsuma was required to establish whether Mr D could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. 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 Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

I think that looking at all the evidence I have from both parties, and that Mr D was a new customer to Satsuma when he applied for the loan in July 2016, then Satsuma carried out the checks I would have considered to have been proportionate for that Loan.

It would have been disproportionate for Satsuma to be doing more – such as reviewing Mr D's bank statements. It used Mr D's declared income and expenditure, and I have seen evidence in the records before approving Loan 1 that it carried out a credit check and factored into its affordability assessment the additional (undeclared) debt Mr D had to repay around that time.

I hope that Mr D's financial situation improves but looking at the circumstances surrounding his application in 2016, I have decided not uphold Mr D's complaint.

My final decision

My final decision is that I do not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 April 2021.

Rachael Williams
Ombudsman