

The complaint

Mrs J complains that the loan she had from Provident Personal Credit Limited (trading as Satsuma Loans) was unaffordable to her.

What happened

Mrs J had one loan from Satsuma in December 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	26 Dec 2018	£150	3m	£73.80	28 Mar 2019	On time

Mrs J says she had a poor credit rating when the loan was approved, and the repayments caused her financial difficulty. She says she already had debt worth thousands of pounds and never should have been approved for further lending. Mrs J adds that she was suffering from mental health issues at the time which affected her ability to manage money and that the anxiety caused both her mental and physical health to deteriorate further. She says she's provided proof of this to Satsuma, but it still did not uphold her complaint, even though she says other debts have been written off due to her mental health. She adds that Satsuma also asked her for the same information on multiple occasions before it would respond to her complaint.

Satsuma says it conducted a credit check and asked Mrs J about her income and expenditure. It says it uses a wide range of data sources to ensure it has the most up-to-date information about Mrs J's circumstances. It says its checks caused it to reduce Mrs J's disposable income by over £200 but it still showed the loan was affordable. In addition, Satsuma apologised to Mrs J for the inconvenience of having been asked for duplicate information unnecessarily.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Satsuma carried out proportionate checks in the circumstances and that there was nothing to indicate the loan was unaffordable to Mrs J.

Mrs J responded to say, in summary, that she was already significantly in debt at the time and that she had provided evidence of her mental health problems as well as a recent letter from a debt collection agency. She adds that she is taking medication to stabilise her mood and her physical health is also affected.

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 Mrs J could repay the loan 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.

I think that it is important for me to start by saying that Satsuma was required to establish whether Mrs J could sustainably repay her loan – 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 Consumer Credit Sourcebook ("CONC") 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 the arguments, evidence and information provided in this context and what this all means for Mrs J's complaint.

When Mrs J applied for her loan, I can see Satsuma asked her about her income and expenditure and applied its own safeguards based on electronic information gathered from credit agencies and internal models. Satsuma's credit checks showed no bankruptcy, county court judgements, debt management plans or arrears. Mrs J had declared her disposable income to be £450, but Satsuma adjusted that figure down to less than £240 based on its own checks, which included a sanity check on her declared income.

As this was Mrs J's first loan with Satsuma and the repayments were less than 7% of her income, I can't conclude it needed to carry out any further checks based on the information it already had. Despite the adjustment to Mrs J's disposable income, I'm satisfied Satsuma would have found the scheduled monthly repayments of £73.80 to be affordable.

That said, I'd like to reassure Mrs J that I have read her extensive submissions about both her physical and mental health both now and at the time of the loan. There is clear evidence that Mrs J's mental health is such that she finds money management difficult and the issues surrounding her debt problems are adding to her anxieties. It also seems likely that the resultant stress may, at least in part, have contributed to her other physical conditions, for which she has submitted further evidence.

But I can't see that Satsuma had any of this information at the time it approved Mrs J's loan and so I cannot conclude it should have made a different lending decision. Although I very much empathise with Mrs J's situation, I don't find Satsuma did anything wrong when it approved her loan.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 9 April 2021.

Amanda Williams
Ombudsman