

## The complaint

Miss S has complained that Provident Personal Credit Limited (trading as Satsuma) gave her unaffordable loans.

## What happened

Miss S took three loans from Satsuma between February 2017 and October 2019. A summary of her borrowing, based on the information provided to us from Satsuma, can be found below:

loan number	loan amount	received date	repayment date	number of repayments
1	£500.00	01/02/2017	23/05/2017	3
2	£150.00	12/04/2018	23/01/2019	3
3	£100.00	07/10/2019	outstanding	12

Miss S has told us, in response to the adjudicator's assessment, that the final loan has now been repaid.

One of our adjudicators looked at Miss S's complaint. She didn't think Satsuma were wrong to approve Miss S's loans because Satsuma's checks went far enough and showed it that Miss S could afford the loans.

It appears Satsuma agreed with our adjudicator's opinion.

Miss S disagreed with the assessment. Miss S highlighted that she had lots of other lending, she had been borrowing from a number of other short-term credit lenders at the time, and she was stuck in a cycle of borrowing. These points didn't change the adjudicator's mind about the outcome she had reached.

As no agreement could be reached the complaint 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was provided.

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 Miss S 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 consumer'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 Miss S could sustainably repay her 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 relevant regulations define 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 do so without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss S's complaint.

It may help if I start by saying that, given the time of each loan and the gaps between when each loan was repaid and when the next one was taken out, I've considered Miss S's lending relationship with Satsuma as three separate events. This means that there is no chain of lending. This is important because it effectively means that Satsuma could disregard the previous loan when thinking about each lending decision.

For each loan Satsuma asked Miss S to declare her income, which she declared to be between £1,350 and £1,400. Satsuma also asked Miss S to declare her monthly outgoings. At which point, it then considered this information (and the result from the credit check) to assess the reasonableness of what it was told. It then, if it felt that was needed, made adjustments to the figures that Miss S gave by adding a buffer. For loan 1, Satsuma believed Miss S had £353 disposable income (after making the loan repayment), £206 for loan two and £321 for the third and final loan.

Given each loan was the start of the new chain I think asking Miss S about her income and expenditure as well as carrying out a credit search was proportionate, and Satsuma's checks went far enough. In addition to this, the checks Satsuma carried out indicated that Miss S would be in a position to afford the monthly repayments she was committed to making. So, I don't think Satsuma was wrong to have approved these loans.

I've also considered the credit check results that Satsuma has provided and while it was aware that there were some outstanding short term loans at the time of each application, I don't think this and the other information it saw was enough for either Satsuma to decline the applications outright or to have prompted it to have carried out further more in-depth checks.

I appreciate that Miss S took significantly longer to repay loan two than the initially agreed term but given the gap in repaying loan two and taking loan three, I don't think Satsuma's checks for the third loan needed to go further. In saying that, I've thought about the amount lent, the term, the monthly repayment of around £17 and the results of the credit checks.

Overall, considering the level of lending and with the gaps in lending, I think the checks went far enough. And based on the checks Satsuma completed I'm satisfied the lending would've seemed affordable and sustainable.

I'm sorry to hear that Miss S was struggling financially and repaying the final loan proved difficult. It seems it took Miss S may have taken much longer to repay the loan than scheduled. And I accept that Miss S's full financial circumstances may not have been reflected in either the information she provided, or the other information Satsuma may have seen in its credit checks. And it might be that Miss S's actual financial position (including the other lending she 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 Miss S, that meant it needed to verify the information it was provided and gathered. So, I don't think that it could or should have known that Miss S was having financial difficulties at the time.

It is of course possible that, had Miss S continued to borrow from Satsuma without any gaps between loans, then it may have needed to have carried out further, more in-depth, checks which may have involved asking for evidence of her financial position. But considering Miss S took three loans with gaps between them and the loans appeared affordable, I don't think Satsuma was wrong to have provided them.

I appreciate Miss S will be disappointed by the outcome that I've reached, but I hope my explanation shows, why in this case, I'm not in a position to uphold her complaint.

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss S's complaint.

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

Robert Walker  
**Ombudsman**