

## The complaint

Mrs V complains that Provident Personal Credit Limited, trading as Satsuma, lent to her irresponsibly.

## What happened

Using information from Mrs V and Satsuma here is a brief table of the approved loans.

Loan	Approved	Amount	Highest scheduled repayment figure	term
1	16 December 2017	£1,000	£166	12 months
2	25 July 2018	£800	£133 (rounded)	12 months

Mrs V was refused an £800 loan in June 2018. Our current understanding is that both loans remain unpaid.

In February 2021, one of our adjudicators thought that Satsuma did not need to do anything to put things right. He said: *'For the later loan, I think the lender should've taken steps to build a more detailed picture of your financial situation. But I haven't seen anything in the information provided which suggests the lender would've known that you wouldn't have been able to sustainably make the repayments you needed to for this loan.'*

Mrs V disagreed and has said to us several times that she would send in additional documents to demonstrate poor credit and being in arrears with priority bills. The complaint was passed to me to decide.

## 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 Mrs V 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:

- 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);
- 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);
- 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. But I do not think that this applies to Mrs V's situation as she took two loans which is not enough to build up a pattern.

Satsuma was required to establish whether Mrs V could sustainably repay her 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 Mrs V's complaint.

Loan 1 was when Mrs V was a new customer to Satsuma. £1,000 applied for was not insignificant, but it was proportionate for Satsuma to rely on the information Mrs V had given to it. Satsuma did carry out a credit check as well and using that information it increased the figures Mrs V had declared for expenditure and loan commitments. Still, it calculated, that Mrs V was likely able to afford the scheduled repayments for Loan 1. From what I have seen then I would not have expected Satsuma to do more. I do not uphold Mrs V's complaint about loan 1.

I asked Satsuma to give me some information about the customer contact with Mrs V and some details about the loan which was refused in June 2018. I have seen from some customer contact notes provided by Satsuma that she had some trouble repaying loan 1 in or around April 2018. This, followed by the June 2018 refusal, does lead me to think that additional and more extensive checks ought to have been carried out before approving loan 2. Satsuma's own credit check did indicate that there were some issues.

But overall, I am not able to assess whether the additional checks would have revealed that Satsuma was acting irresponsibly to lend.

Mrs V has said that she was going to send more documents and evidence. So far we have received a copy of mortgage arrears which is the joint name of herself and her husband. And

Mrs V has sent to us a series of unnamed screenshots to show the status of some accounts. It's not clear in whose names these accounts are held (whether they are hers, or hers alone, or are joint accounts as well) and there is little detail on these screenshots. We are not able to see what the situation was at the time (or the period leading up to) the loan approval

dates. So, this information is of limited value. Without the detail I am not able to assess it fully.

We have asked for better documents and copies of bank statements and as recently as 28 March 2021 Mrs V had said the bank were sending the statements to her. This was almost six weeks ago, and these have not been received and since that date Mrs V has been informed that any additional evidence for the ombudsman to see had to have arrived by 15 April 2021. Having still not received additional evidence then I think it's fair on both parties that I do make the decision asked of me.

Having looked at the information I have for loan 2, I do not have enough for me to decide that Satsuma acted irresponsibly when approving loan 2. I do not uphold Mrs V's complaint for loan 2. I realise she will be disappointed.

### **My final decision**

My final decision is that I do not uphold Mrs V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V to accept or reject my decision before 4 June 2021.

Rachael Williams  
**Ombudsman**