

Complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma) lent to him irresponsibly.

Background

Mr S took out one instalment loan with Satsuma in March 2018. Mr S was due to repay the £700 loan by three monthly instalments of £344 each. Mr S says that Satsuma continued to lend to him and that this led him in to financial difficulties.

Mr S wants Satsuma to refund the interest and charges that he paid on the loan together with interest.

The adjudicator didn't recommend that Mr S's complaint be upheld.

Mr S wasn't happy with the adjudicator's recommendation so the complaint has come to me for a final decision.

My findings

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 Mr 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 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's important for me to start by saying that Satsuma was required to establish whether Mr S could sustainably repay his 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 Consumer Credit Source Book defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, as well as without having to borrow to meet the repayments.

So 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 of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint.

Satsuma has given us evidence that it asked Mr S for details of his net monthly income, housing costs, credit commitments and other outgoings. Satsuma also carried out a credit check and included any undeclared credit commitments that it could see together with a further buffer.

Given the amount that Mr S was expected to repay each month against his declared monthly income of £1,650, I'm satisfied that Satsuma's checks were adequate. Based on what it knew about Mr S, I don't think that it was unreasonable of Satsuma to agree to lend to him.

I wouldn't have expected Satsuma to go as far as trying to independently verify the financial information that Mr S gave by asking to see bank statements for example. This means that even though Mr S's situation might have been worse than he disclosed to Satsuma, I don't think what I consider to have been proportionate checks would've revealed this.

I'm sorry that my decision is likely to disappoint Mr S but I don't require Satsuma to refund any interest or pay compensation.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 20 September 2019.

Gemma Bowen
Ombudsman