

## **complaint**

Mr S has complained that Provident Personal Credit Limited (trading as Satsuma) lent to him in an irresponsible manner.

## **background**

I issued a provisional decision on 6<sup>th</sup> December 2019, where I concluded that I was minded to not uphold Mr S's complaint. I have attached this to the end of my findings as it forms part of my final decision.

In summary, I found:

- Mr S took out three instalment loans from Satsuma between February 2015 and April 2018.
- I concluded that it would not have been proportionate for Satsuma to carry out the type of checks that would have shown that the repayments for loan 1 were not sustainable.
- There was a gap of 3 years between loan 1 and loan 2 and so I concluded that a new lending relationship had started from commencement of loan 2 in February 2018.
- I could see that Mr S's finances were under pressure, in particular when he took out loan 3. But I didn't think Satsuma would have necessarily seen that this was the case, and it was entitled to rely on the information at this point, that Mr S had told it. There was also nothing that I felt would have led Satsuma to do more, when it gathered information within its credit checks.
- I concluded that I was minded to not uphold Mr S's complaint and invited comments on this from both parties.

## **my findings**

I have again considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Both parties have not provided any further information for me to consider.

As neither party has raised any further points, I see no reason to depart from my conclusion given within the provisional decision. So I conclude that Satsuma hasn't done anything wrong in giving the loans to Mr S and I do not uphold his complaint.

## **my final decision**

My final decision is that I do not uphold Mr S's complaint and I do not make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 January 2020.

Mark Richardson  
**ombudsman**

## Copy Provisional Decision

### complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma) lent to him in an irresponsible manner.

### background

Mr S took three instalment loans from Satsuma. There was a gap of over 3 years from when Mr S borrowed loan 1 and took out loan 2. Loans 2 and 3 have a balance outstanding.

| Loan | Date taken | Date repaid | Instalments | Amount | Highest monthly Repayment |
|------|------------|-------------|-------------|--------|---------------------------|
| 1    | 04/02/2015 | 01/06/2015  | 39 weekly   | 100    | 22.50                     |
| 2    | 23/02/2018 | outstanding | 12 monthly  | 300    | 49.80                     |
| 3    | 13/04/2018 | outstanding | 12 monthly  | 1000   | 166.00                    |

Mr S's complaint has been assessed by one of our adjudicators. He thought that the checks Satsuma had done before giving Mr S loan 3 should have caused the lender to consider that Mr S was having problems managing his money. So he didn't think it had been right for Satsuma to agree loan 3 and he asked the lender to pay Mr S some compensation.

Satsuma didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

### my provisional 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 that Mr S 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 a 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 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 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 of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint.

Mr S applied for his first loan with Satsuma in February 2015. It was for a relatively small amount and this was the first time he had approached Satsuma for credit. Satsuma says it asked him for details about his income, expenditure and it did a credit check. So given the weekly repayment amounts, what was apparent about Mr S's circumstances at the time, and that this was his first request with the business, I don't think it would've been proportionate for Sunny to ask him for the amount of information that would be needed to show the lending was unsustainable before agreeing the first loan.

There was a gap of around 3 years before Mr S asked Satsuma for another loan. So due to the time that has passed, I consider this to be a new lending relationship between them. When Mr S did approach Satsuma in 2018, it did a number of checks. It asked him for details of his income and his normal expenditure. It gathered data from credit reference agencies about other credit repayments that Mr S would need to make over the coming months. And it then used this information to calculate how much disposable income Mr S had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mr S's financial situation at the time he asked for loan 2 and loan 3.

I can see from the information Mr S has provided to our service that his finances were under significant pressure at the time he applied for loan 3 in particular. But that wasn't picked up by the credit check information that was given to Satsuma. And it wasn't something that Mr S told Satsuma at the time he applied for loan 2 or 3 either. I don't think there was any reason for Satsuma to doubt the information Mr S had provided.

The repayments that Mr S had agreed to make on loans 2 and 3 were relatively modest compared to the disposable income that he'd declared to Satsuma. And the repayments appeared to be easily affordable. So given these repayment amounts, what was apparent about Mr S's circumstances at the time he applied for loans 2 and 3, and his lack of borrowing history with the lender, I don't think it would've been proportionate for Satsuma to ask him for the amount of information that would be needed to show the lending was unsustainable.

So I don't currently think Satsuma was wrong to give loans 2 and 3 to Mr S either.

### **my provisional decision**

For the reasons set out above, I don't currently intend to uphold Mr S's complaint.

Mark Richardson  
**ombudsman**