

complaint

Mr M says Provident Personal Credit Limited (trading as Satsuma Loans) irresponsibly lent to him.

background

This complaint is about four instalment loans Satsuma provided to Mr M between October 2015 and February 2018. Mr M borrowed amounts ranging between £500 and £1,200 to be repaid in instalments over 6, 7 or 12 months. The highest expected monthly instalments ranged between £116 and £342. There was a twelve month gap between Mr M repaying loan one and taking out loan two. And there was an eight month gap between him repaying loan two and taking out loan three. Mr M repaid all his loans. Satsuma offered redress for loans one to three, but Mr M was unhappy with this. He said he'd been in a debt management plan at the time.

our adjudicator's view

Our adjudicator upheld Mr M's complaint in part and thought loan one shouldn't have been given. Mr M disagreed. He thought Satsuma had been irresponsible in providing all the loans. He said it was the later loans that had caused him financial difficulties and a check of his credit file would have shown defaults. And so the complaint was passed to me for a final decision.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr M and to Satsuma on 23 January 2020. I summarise my findings:

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 M 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 thought 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 thought that it was important for me to start by saying that Satsuma was required to establish whether Mr M 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 carefully considered all of the arguments, evidence and information provided in this context and what this all meant for Mr M's complaint.

Mr M's complaint was about four loans, but I could see that Satsuma had already made the redress for loans one to three that I would have required if I'd upheld the complaint about these loans. So I could see no reason to consider loans one to three further.

I thought the gap between Mr M repaying loan two and three was significant. So I thought it was reasonable for Satsuma to carry out the affordability checks that were proportionate to the start of a new lending relationship from loan three. By this I meant checks that took regard of the size of the repayments compared to Mr M's salary, the length of the loan agreement, and the number of previous loans.

Satsuma asked Mr M for information about his income and expenditure and it carried out credit checks. Mr M said his monthly income was £3,854 for loan four. Mr M said his monthly expenditure was £1,235. Satsuma also calculated an additional amount of outgoings which increased this to £2,788. Satsuma wasn't required to check Mr M's credit file before approving his loans, so I couldn't see that it knew that Mr M had defaults on his record.

For loan four, given the loan amount, what was apparent about Mr M's circumstances at the time and his history with Satsuma, I didn't think it would've been proportionate to ask him for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr M provided or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what Mr M was saying.

From the information Mr M provided and what Satsuma calculated, I thought it looked as if he had sufficient disposable income to meet his repayments for loan four sustainably. So I couldn't say that Satsuma was wrong to provide this loan.

Subject to any further representations by Mr M or Satsuma, my provisional decision was that I intended to not uphold this complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Satsuma didn't respond to my provisional decision. Mr M replied that he thought Satsuma shouldn't have given him the loans. He said these had caused him financial difficulties. He said he'd had to sell his house and he was in a debt management plan. He said his complaints had been upheld in other cases.

I was sorry to hear about Mr M's circumstances and I can understand that he feels the loans were unsuitable for him. But, as I've explained above, I think Satsuma carried out proportionate affordability checks for loan four. I think that from the information he provided to Satsuma it looked as if he could afford to meet the loan repayments. So I can't say it was wrong for Satsuma to provide loan four.

Mr M drew my attention to his other complaints that have been upheld. But we decide each complaint on its merits so the findings of one complaint won't be applied to another.

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 Mr M to accept or reject my decision before 26 March 2020.

Phillip Berechree
ombudsman