

complaint

Mr H complains that Provident Personal Credit Limited, trading as Satsuma, lent to him in an irresponsible manner and didn't respond to his complaint.

background

Mr H took out two instalment loans with Satsuma. In January 2018, Mr H took out a loan of £200, repayable in three instalments ending on 1 May 2018. In March 2018, Mr H took out a second loan of £1,500, repayable over 12 months. I understand that Satsuma has referred the second loan to collections.

Mr H says that he couldn't afford to repay the loans and that they made his position worse. He also complains that Satsuma didn't respond to his complaint. Mr H wants a refund of interest, with interest and negative information about the loans removed from his credit file.

One of our adjudicators assessed Mr H's complaint. She didn't think that Satsuma was wrong to lend to Mr H. The adjudicator said that it wasn't ideal that Satsuma didn't respond to Mr H's complaint promptly but he could have referred his complaint to this service after eight weeks in any event.

Mr H didn't agree with the adjudicator's assessment. He said, in summary:

- Satsuma didn't ask for his bank statements.
- He isn't disputing the first loan but the repayment for the second loan was £249 and it wasn't sustainable.
- He had existing loans when he took out loan two.
- Satsuma caused him great difficulty.
- This service has found in his favour in another complaint about short-term loans.
- Satsuma didn't close his account after he'd asked it to do so.

As the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

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 H 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 is important for me to start by saying that Satsuma was required to establish whether Mr H 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 H's complaint. I'm very sorry to hear about the difficult position Mr H was in.

Mr H has said that he doesn't want to complain about loan one, so I'm concentrating on loan two in this decision. Before loan two, Satsuma asked Mr H about his income and expenditure, which it recorded as £1,605 and £900 respectively. Satsuma adjusted his expenditure upwards and concluded that Mr H had disposable income of £621.61. The monthly repayments for loan two were £249. So, it appeared that Mr H could afford to repay the instalments for loan two in addition to remaining instalments for loan one.

Satsuma also carried out a credit check before lending to Mr H. The information a prospective lender can obtain from a credit check isn't in the same detail as Mr H can see from his own credit report. I've seen the results of Satsuma's credit check and there was nothing to indicate that it should make further enquires or that Mr H couldn't afford to repay loan two.

I think that the checks Satsuma carried out were proportionate. Given the repayment amounts, what was apparent about Mr H's circumstances at the time and his history with Satsuma, I don't think it would've been proportionate for Satsuma to ask Mr H for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr H provided or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what Mr H said by, for example, asking for his bank statements.

I've also looked at the overall pattern of Mr H's lending with Satsuma with a view to seeing if there was a point at which Satsuma should reasonably have seen that further lending was unsustainable, or otherwise harmful. Given the particular circumstances of Mr H's case, I don't think there was a point where Satsuma should have realised that Mr H couldn't sustainably repay the loans.

I'm sorry to disappoint Mr H but, considering everything, I don't think that Satsuma was wrong to lend to him. I appreciate that Mr H says that this service found in his favour in relation to complaints about other short-term lending. Each complaint is decided on its own facts. In this case, I'm satisfied that Satsuma didn't treat him unfairly in lending to him.

I can see that there was some delay in Satsuma responding to Mr H's complaint. Mr H provided Satsuma with the additional information it requested. It's not clear to me why it didn't provide a substantive response sooner than it did. That doesn't alter the outcome though. As the adjudicator has explained, after eight weeks Mr H could have referred his complaint to this service without Satsuma's response.

Mr H has complained that Satsumas hasn't closed his account. As that wasn't part of his original complaint, I can't consider that here, as Satsuma hasn't had an opportunity to respond to it. If Mr H wishes to pursue that matter, he should complain to Satsuma in the first instance.

my final decision

For the reasons given above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 August 2019.

Louise Povey
ombudsman