

## **complaint**

Mr N complains that Provident Personal Credit Limited trading as Satsuma Loans gave him loans he couldn't afford to repay.

## **background**

Mr N took out three loans with Satsuma between February and September 2017. Loan one was taken out on 27 February for £750 repayable in 3 monthly instalments of £369. Mr N settled this loan early on 25 April 2017. Loan two was taken out on 18 August 2017 for £1000 repayable in 6 monthly instalments of £316. Mr N settled this loan early on 15 September 2017. Loan 3 was taken out on 24 September 2017 for £2000 repayable in 12 monthly instalments of £332. Mr N fell into difficulties repaying this loan and a balance remains outstanding.

Mr N says the money was lent to him irresponsibly. He wants the debt written off.

Our adjudicator considered the complaint and thought that Satsuma hadn't been wrong to give loans one and two to Mr N. He thought that based on the figures Mr N had declared for his income and outgoings the loans appeared affordable. For loan three he thought that Mr N wouldn't be left with enough disposable income after making the loan repayment to repay the borrowing sustainably and so he recommended that the complaint was upheld in relation to loan three.

Satsuma replied to say that the adjudicator had mistakenly calculated Mr N's disposable income and that Mr N had £365.38 left after making the loan repayment. The complaint was then passed to me for a decision.

I issued my provisional decision saying that I didn't think Mr P's complaint should be upheld. A copy of the background to the complaint and my provisional findings, are attached and form part of this final decision.

Mr N confirmed he had seen my decision and had nothing further to add and Provident didn't reply.

## **my findings**

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

Provident and Mr N didn't raise any new points after receiving my provisional decision. So I've reached the same conclusions I reached before, for the same reasons.

**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 N to accept or reject my decision before 14 November 2019.

Emma Boothroyd  
**ombudsman**

## **Extract from provisional decision.**

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Satsuma replied to say that the adjudicator had mistakenly calculated Mr N's disposable income and that Mr N had £365.38 left after making the loan repayment. The complaint was then passed to me for a decision.

### **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 N 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 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 N 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 N's complaint.

For each loan Mr N told Satsuma he was earning £1800. He said that his outgoings were £550. On the basis of these figures the loans would appear to be easily affordable. Satsuma carried out a credit check for each loan and based on those results it adjusted Mr N's total monthly outgoings figure. After loan one had been repaid Satsuma calculated that Mr N would have £502.14 left and for loan two this figure was £445.93. I agree with the adjudicator that based on the figures and the checks carried out by Satsuma it wasn't wrong to give Mr N these loans.

For loan three Satsuma calculated that Mr N's disposable income after the loan had been repaid was £365.38. Our adjudicator calculated that Mr N would only have around £33 left as he deducted the loan repayment again from the disposable income. On this basis he said the loan shouldn't have been given to Mr N. Looking at the correct figures I am minded to conclude that this loan was affordable for Mr N and Satsuma didn't do anything wrong by lending to Mr N.

There was nothing of concern in the credit checks that suggested further checks should be carried out and Mr N's borrowing pattern wasn't concerning at this stage. He had taken out two loans with a gap of over three months and repaid both loans early. The monthly repayments looked affordable on the figures and Satsuma made allowances for the information in Mr N's credit file. On balance, I am minded to conclude that the loan was affordable.