

complaint

Mr B complains that Provident Personal Credit Limited, trading as Satsuma, lent to him in an irresponsible manner.

background

In June 2017, Mr B took out a loan of £200 with Satsuma. The loan was repayable in six, monthly instalments of £63.20. In November 2017, Mr B repaid the loan early.

Mr B says that he couldn't afford to repay the loan and that Satsuma shouldn't have given it to him. He says that his credit file shows that his finances were in a mess and that he had other loans, late payments and frozen accounts. Mr B wants a refund of interest and charges, with interest and negative information removed from his credit file.

One of our adjudicators assessed Mr B's complaint. She didn't think that Satsuma was wrong to give the loan to Mr B. Mr B didn't agree. He said that he didn't think Satsuma had treated him fairly. Mr B said that his credit file at the time showed that he had a large number of loans and other debts. Mr B said that Satsuma should have taken that into account when it decided to lend to him. He said that his job had been made redundant and he was on a very low income at the time.

As there was no agreement between the parties, the complaint was 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 B 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.

Satsuma was required to establish whether Mr B could sustainably repay the loan – 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 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 B's complaint.

When Mr B applied for the loan, he told Satsuma that his income was £2,050 and his outgoings, including housing costs, financial commitments and other expenditure, were £1,400. So, it appeared that Mr B could afford to repay £63.20 a month for this loan.

I note that Mr B says that his job had been made redundant but I've seen from one of his bank statements that he appeared to have an income of around the amount he told Satsuma at the relevant time. Bearing in mind this was Mr B's first loan with Satsuma, I think that it was entitled to rely on what Mr B said about his income and outgoings.

Mr B has referred to his credit file and says that it would have shown that he had other debt. Satsuma carried out a credit check. The information a prospective lender can see from a credit check isn't in the same detail as Mr B can see in his own credit report. The credit check Satsuma carried out didn't show information that should have led it to refuse to lend to Mr B.

In the particular circumstances here, I think that the checks Satsuma carried out before lending to Mr B were proportionate. Given the repayment amounts, what was apparent about Mr B's circumstances at the time and the fact that this was his first loan with Satsuma, I don't think it would've been proportionate for Satsuma to ask Mr B for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr B provided or the information Satsuma should've been aware of, which meant it would've been proportionate for it to start verifying what Mr B said.

Considering everything, I don't think that Satsuma was wrong to lend to Mr B.

my final decision

I am sorry to disappoint Mr B but for the reasons given above, I'm not upholding his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 February 2020

Louise Povey
ombudsman