

complaint

Mrs B says Provident Personal Credit Limited (trading as Satsuma) lent her money that she couldn't afford to repay.

background

Mrs B took out one instalment loan with Satsuma in December 2015. Mrs B was due to repay the loan by 52 weekly repayments of £26.79.

Mrs B doesn't consider that Satsuma did enough to assess whether the loan was affordable for her. Mrs B says she was in a debt crisis and couldn't afford to borrow more money.

Mrs B wants Satsuma to clear the interest off the loan leaving her with the principal to repay.

The adjudicator didn't recommend that Mrs B's complaint be upheld. Mrs B disagreed so the complaint has been passed to me.

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 Mrs 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.

I think that it's important for me to start by saying that Satsuma was required to establish whether Mrs B could sustainably repay her 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 Office of Fair Trading's Consumer Credit Sourcebook 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 Mrs B's complaint.

Satsuma has given us evidence that it asked Mrs B for details of her income, housing costs, financial commitments and other outgoings before agreeing to lend each time. As well as this, Satsuma has told us that it included safeguards to reflect information gathered from credit searches.

Given the relatively modest proportion of Mrs B's declared monthly income that the loan repayments represented, I consider that Satsuma's checks went far enough. Based on what Satsuma knew about Mrs B, I don't think it was unreasonable to agree to lend to her.

Although Mrs B says that she had a history of poor credit management, I can't say that this was reflected in the checks that Satsuma carried out.

I wouldn't have expected Satsuma to go as far as independently verifying the information that Mrs B gave by asking to see bank statements for example. This means that even though Mrs B's financial situation was worse than she'd disclosed, I don't think that Satsuma would have discovered this with what I consider to have been proportionate checks.

I'm sorry that my decision is likely to disappoint Mrs B but I don't require Satsuma to write off any unpaid interest on the loan.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 30 October 2019.

Gemma Bowen
ombudsman

