

complaint

Miss O complains that Provident Personal Credit Limited (trading as Satsuma) gave her loans irresponsibly.

background

This complaint relates to two instalment loans, each repayable over 12 months, given to Miss O as follows:

Loan No	Amount	Date lent	Date repaid	Repayments pm
1	£1,000	22.3.18	2.5.18	£166
2	£1,200	17.7.18	Outstanding	£199

Our adjudicator didn't think that Satsuma had done anything wrong in providing these loans and so recommended that the complaint wasn't upheld. Miss O didn't agree and so the complaint has been passed to me for a decision.

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 Miss O 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 it's important for me to start by saying that Satsuma was required to establish whether Miss O 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 that 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.

So 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 Miss O's complaint.

Satsuma has told us about the checks it did before lending to Miss O. It asked her to provide details of her income and to detail what she normally spent each month – including what she paid towards any other credit arrangements she had. Satsuma carried out checks on Miss O's credit file, and told us it then adjusted the expenditure figures where it thought it appropriate to reflect Miss O's actual financial circumstances as accurately as possible.

Loan one

I think the checks Satsuma carried out were proportionate for the first loan - and the information Miss O provided to it indicated that the loan was affordable. This was Miss O's first loan with Satsuma, so I think it was entitled to rely on the information she provided. Also I've seen a summary of the results of Satsuma's checks and this doesn't show anything that I think should reasonably have made it think that this loan wasn't affordable for Miss O.

I don't think Satsuma was wrong to provide loan one to Miss O.

Loan two

Loan one was originally scheduled for repayment by 28 March 2019 by 12 monthly instalments. In practice, Miss O repaid the loan earlier than scheduled – after just a little over one month.

There was then a gap of slightly over two months before Miss O applied for loan two. Miss O declared her income to be higher than at the time of loan one. And, whilst she stated her expenditure was the same as at the time of her prior loan, I can see that Satsuma applied even bigger buffers to these figures which resulted in a lower level of apparent disposable income. Despite this, I think that the loans repayments would've still appeared to Satsuma to be affordable. And there had been nothing that might indicate to Satsuma that Miss O had experienced any difficulties in repaying its first loan.

Here again, I can see nothing within the results of Satsuma's checks that I think should've caused it to consider that Miss O was experiencing financial difficulties. In all of these circumstances I don't think it was wrong for Satsuma to provide loan two to Miss O.

I'm sorry that Miss O has been experiencing financial difficulties, and I have no doubt that this decision will come as a disappointment to her – but I'm afraid that, for the reasons set

out above, I don't think that Satsuma acted irresponsibly in providing these two loans to her. As such, I won't be asking it to do anything.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 29 February 2020.

Richard France
Ombudsman