

## Complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent money to him that he couldn't afford to repay.

## Background

Based on the information, Satsuma Loans provided Mr S with two loans, one in March 2018 and one in May 2018.

Mr S says that adequate checks weren't carried out before the loans were provided. He says the loans were unaffordable.

Satsuma Loans says that all applications for loans go through full credit worthiness and affordability assessments using both internal and external data. It says that the information gathered before the loans were provided to Mr S suggested they were affordable.

Our adjudicator didn't uphold this complaint. He said that given the size of the first loan and what was apparent about Mr S' circumstances at the time he didn't think it would've been proportionate for Satsuma Loans to ask Mr S for the amount of information needed to show the lending was unsustainable. He did think that before the second loan was provided Satsuma Loans should have asked for more information but said that based on what he had seen he didn't think this would have shown that the loan was unsustainable.

Mr S didn't accept our adjudicator's view. He said his claim was the same as claims he had made against other short term loan providers and that these had been upheld.

## 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 Loans 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 S 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 Loans 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 Loans was required to establish whether Mr S 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 S's complaint. I note Mr S' comments about other complaints he has had upheld but each case is treated on its individual merits and my decision is based on what I consider fair and reasonable given the circumstances of this specific complaint.

Mr S was provided with the first loan in March 2018. This was for £400 repayable over 12 monthly instalments of around £66 per month. At the time, Mr S' income was recorded as £1,950 and information gathered on his expenses initially suggested he had a disposable income of over £1,000 but this was revised down to around £880. As this was Mr S' first loan from Satsuma Loans and given the size of the repayments compared to his income, I find that the checks carried out were sufficient. These didn't raise concerns about the affordability of the loan and so I do not find that I can say this loan shouldn't have been provided.

The second loan was for a much larger amount (£800) and was provided while the first loan was still outstanding. Therefore the repayments under both loans need to be considered. The second loan was repayable over 12 months with monthly repayments of around £133 bringing the total monthly repayments under both loans to around £200. By the time of the second loan, Mr S' declared income had increased. Information was gathered on Mr S' expenses and a credit check was undertaken.

Again I find these checks were reasonable and as these didn't suggest the loan was unaffordable I do not find that I have enough to say this loan shouldn't have been provided.

Overall, I do not find that I have enough to say that these two loans shouldn't have been provided.

**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 Mr S to accept or reject my decision before 6 January 2020.

Jane Archer  
**ombudsman**