Financial Ombudsman Service

complaint

Mr H complains about two instalment loans that he took out with Provident Personal Credit Limited (trading as Satsuma Loans), ("SL"), which he said were unaffordable.

background

Mr H was given two instalment loans by SL in July 2018. A summary of the loans taken out by Mr H is shown below:

Loan number	Date of loan	Repayment date	Loan amount	Repayment amounts
1.	1/7/18	9/7/18	£500	6 monthly repayments of £158
2.	15/7/18	22/8/18	£300	9 monthly repayments of £66.60

The adjudicator didn't recommend that the complaint should be upheld. She noted that there were no issues with repayment of the loans and both had been settled early. She also said that Mr H's declared disposable income for both loans was enough to meet the scheduled loan repayments.

Mr H disagreed. He said that he had a number of loans with other lenders which would have been evident from his credit file. He said that SL should have checked his bank statements. If it had done so, it would have seen evidence of his gambling problem. He was concerned that some of his other complaints with this service were upheld and some were not.

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.

I note that Mr H has referred to his other complaints with this service. But we assess each complaint on its own merits. And it isn't always appropriate to compare the outcomes of each complaint without a detailed understanding of the specific facts of each complaint.

When SL lent to Mr H the regulator was the Financial Conduct Authority ("FCA") and relevant regulations and guidance included its Consumer Credit Sourcebook (CONC). The CONC contained guidance for lenders about responsible lending.

SL 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 H 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 Mr H'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 SL should fairly and reasonably have done more to establish that any lending was sustainable for Mr H. 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 SL was required to establish whether Mr H 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 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 H's complaint.

SL did a number of checks before it lent to Mr H. It asked him for details of his income and expenditure. Mr H declared his monthly income as £1,600 and his expenditure as £550. And SL increased Mr H's declared expenditure slightly in its assessment to reflect what it had seen in its credit checks. I can also see that SL checked Mr H's housing status. From the information SL gathered, I can see that Mr H paid rent.

SL also checked Mr H's credit file before agreeing to the loans. SL has provided this service with a summary of its credit checks. It said that there were no bankruptcies, individual voluntary arrangements, debt management plans or county court judgements. SL also said that there were no payday loans taken in the previous three months and no active credit accounts in arrears in the previous six months. So I can't see there was any adverse information on SL's checks that I think should have caused additional concerns to SL.

Mr H has also provided this service with a copy of his credit report. I can't see there were any outstanding short term loans on the credit report when Mr H took out Loans 1 and 2.

I think that the checks SL carried out before agreeing Loans 1 and 2 were proportionate. And I haven't seen anything to suggest that SL had a reason at the time of Loans 1 and 2 to question the accuracy of the information Mr H provided. The repayments that Mr H needed to make on Loans 1 and 2 were relatively modest compared to the income that he declared to SL. The highest monthly repayment for Loans 1 and 2 was £158. I don't think the repayments were so large that it's obvious they would've caused Mr H financial difficulty.

So given Mr H's repayment amounts, what was apparent about his circumstances at the time, and his history with the lender, I don't think it would've been proportionate for SL to ask him for the amount of information that would be needed to show the lending was unsustainable.

And there wasn't anything in the information Mr H provided or the information SL should've been aware of, which meant it would've been proportionate to start verifying what he was saying. So I don't think SL was wrong to give Loans 1 and 2 to Mr H.

I've seen Mr H's bank statements and note in particular in the month before Loan 2 that he was often spending hundreds of pounds on gambling. I don't want to downplay Mr H's problems in any way, but at the time of Loan 2, I don't think SL needed to go as far as trying to independently verify Mr H's financial information by asking to see his bank statements, for example. That would have been disproportionate at that stage of the lending relationship. So unless Mr H had disclosed his gambling problem, I can't say that SL would have found out about it with the proportionate checks it carried out which I think were reasonable.

So my decision is that I don't uphold Mr H's complaint. I realise this outcome will disappoint Mr H. But I hope he can understand my reasons for making this decision.

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 Mr H to accept or reject my decision before 15 September 2019.

Roslyn Rawson
ombudsman