

complaint

Miss R says Provident Personal Credit Limited, (trading as “Satsuma”), irresponsibly lent to her.

background

The background to this complaint, together with my provisional findings, was set out in my provisional decision of 4 November 2019, an extract of which is appended to and forms part of this final decision.

Satsuma didn't comment or send us any further information in response to my provisional decision. However Miss R disagreed with it saying that it was not a one-off loan and that Satsuma had accepted her for a lot of loans.

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.

Following receipt of Miss R's response to my provisional decision we requested Satsuma to check its records to see if it could find any other loans it made to Miss R. It has confirmed to us that it has been unable to find any. Nor has Miss R given us any details about her other loans with Satsuma. So I consider that it is fair and reasonable to make my final decision based on Satsuma having only made the one loan about which we have information.

As Miss R hasn't made any other material points on my provisional decision, I see no reason to change it.

my final decision

For the reasons set out in my provisional decision and above, my decision is that I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 1 March 2020.

Ros Barnett
ombudsman

Extract of provisional decision dated 4 November 2019

background

This complaint is about an instalment loan Satsuma provided to Miss R in 2018. The loan was for £880 and provided for 12 monthly equal repayments of about £146.

Our adjudicator upheld Miss R's complaint and thought the loan shouldn't have been given. Satsuma disagreed and the complaint has been passed to me.

my provisional 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 R could repay the loan 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 consumer'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).

I think that it is important for me to start by saying that Satsuma was required to establish whether Miss R could sustainably repay her 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 relevant regulations define 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 Miss R's complaint.

Satsuma has told us that it asked Miss R for details of her income and outgoings. As this loan was granted at the beginning of Miss R's borrowing relationship with Satsuma I think that was a proportionate check. And, in particular, in the circumstances of this loan, I don't think that it would have been proportionate to expect Satsuma to check what Miss R had told it.

In spite of this, Satsuma has told us that, when considering applications for loans, it performed checks with credit agencies and carried out affordability assessments using the applicant's declared values alongside modelled data and external data for both income and expenditure. And then it would take the most conservative view on whether a loan was affordable or not. In calculating what Miss R could afford, although she said she had none, it assumed that she had financial commitments of almost £500 a month. And it increased four-fold the amount Miss R said she incurred on expenses, other than her housing costs. Having done this, its calculations showed that Miss R's monthly income would have exceeded her outgoings, including the monthly loan repayment, by about £70.

In the circumstances of this particular case, including that it was a one-off loan between Satsuma and Miss R, I think that the adjustments made to Miss R's declared expenses were fair and reasonable. And therefore, bearing in mind the excess of income over expenditure to which I've referred above, that it was reasonable for Satsuma to consider that Miss R should be able to sustainably repay the loan. Accordingly I provisionally find that Satsuma hasn't done anything wrong.

my provisional decision

For the reasons given above, my provisional decision is that I'm not going to uphold Miss R's complaint.

Ros Barnett
ombudsman