

complaint

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

background

Mr C took out two instalment loans with Satsuma between January and February 2016. I've included more information about the loans below:

<i>loan</i>	<i>date taken</i>	<i>amount borrowed</i>	<i>Weekly repayments</i>	<i>date repaid</i>
1	11 January 2016	£250	£27.52	outstanding
2	22 February 2016	£450	£17.22	outstanding

Mr C doesn't think that Satsuma should've agreed to lend – particularly loan two as he applied for the loans in quick succession. Mr C says that at the time he had a number of other payday loans, a large overdraft, two defaults and a poor credit score.

Mr C wants Satsuma to clear the interest off the loans so that he can repay the principal sum. Mr C wants Satsuma to remove the defaults from his credit file.

The adjudicator didn't recommend that Mr C's complaint be upheld. Mr C 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 Mr C 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 Mr C 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 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 Mr C's complaint.

Satsuma has given us evidence that it asked Mr C for details of his 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.

When Mr C applied for loan one, he declared his net monthly income to be £2,400. By loan two, this had increased to £2,500. Mr C declared monthly expenses of between £1,200 and £1,345.

Given the relatively modest proportion of Mr C's declared monthly income that each of the loan repayments represented, I consider Satsuma's checks were proportionate.

Although Mr C applied for two loans from Satsuma within a fairly short space of time, I don't think that this was enough on its own to establish a pattern of repeated lending or reliance on short term lending.

The credit checks that Satsuma carried out showed that Mr C hadn't taken out any other payday loans within the previous three months. I appreciate that Mr C had taken out some other payday loans around the same time as the Satsuma loans but I can't say that Satsuma should've reasonably been aware of this. This is because not all lenders reported to credit reference agencies or because it can take a number of weeks for a credit report to be updated. So recent applications made to other lenders wouldn't have shown up on Satsuma's searches.

There was nothing else of concern in Satsuma's credit checks such as defaults, County Court Judgments, debt management plans or credit accounts in arrears that should've prompted extra checks. So I don't think Satsuma needed to take further steps to verify the

information that Mr C provided. This means that even though Mr C's financial situation may have been worse than he disclosed to Satsuma, I don't think what I consider to have been proportionate checks would've revealed this.

Overall, it appeared to Satsuma that Mr C could afford to repay both loans. So I can't say that Satsuma was wrong to agree to lend. It follows that I don't require Satsuma to write off any of the outstanding balances or remove any negative information about the loans from his credit file. I'm sorry that this is likely to come as a disappointment.

my final decision

My final decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 August 2019.

Gemma Bowen
ombudsman