

complaint

Miss B says Provident Personal Credit Limited (trading as Satsuma Loans) irresponsibly lent to her.

background

This complaint is about five instalment loans Satsuma provided to Miss B between December 2013 and February 2015. Miss B borrowed amounts ranging between £130 and £400 to be repaid in 13 weekly instalments. The highest expected monthly repayments ranged between £56 and about £172. Miss B borrowed continuously with no significant breaks in the lending. Loans four and five overlapped. Miss B repaid loans one to four.

When Miss B complained to Satsuma that the loans were unaffordable, it upheld her complaint about loans four and five. It refunded her interest for these two loans, with interest, and removed adverse information about them from her credit report. But Miss B remained unhappy.

Our adjudicator didn't recommend that the complaint should be upheld. Miss B disagreed and so the complaint was passed to me for a final 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 that Miss B 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 is important for me to start by saying that Satsuma was required to establish whether Miss B 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 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 B's complaint.

As the adjudicator has already explained, Satsuma has upheld Miss B's complaint about loans four and five and provided the redress I'd have required if I'd have upheld them. So I won't consider these two loans further.

Satsuma asked Miss B for information about her income and expenditure and it carried out credit checks. For loans one to three, Miss B said her monthly income was £1,100 and her expenditure was £650. This left her with a disposable income of £450 to meet her highest expected loan repayments of £112, £107.68 and £172.32. I think Satsuma carried out proportionate affordability checks for these three loans taking into account their size and the stage of the lending relationship.

For loans one to three, given the loan amounts, what was apparent about Miss B's circumstances at the time and her history with Satsuma, I don't think it would've been proportionate to ask her for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Miss B provided or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what Miss B was saying.

From the information that Miss B had provided, these three loans looked affordable. I can't see that there were any signs at this stage that Miss B was having problems managing her money or was in financial difficulties. So I can't say that it was wrong for Satsuma to have provided loans one to three.

my final decision

For the reasons given above, my final decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 3 March 2020.

Phillip Berechree
ombudsman