

## Complaint

Mr C complains that Provident Personal Credit Limited (trading as Satsuma) gave him loans irresponsibly.

## Background

Mr C was given four loans by Satsuma, as follows:

Loan No	Amount	Date	Term	Monthly	Repaid
1	£300	15.11.17	3m	£148	1.3.18
2	£300	3.1.18	5m	£106	1.6.18
3	£880	3.5.18	11m	£159	Outstanding
4	£330	6.6.18	3m	£162	Outstanding

Mr C has accepted that loans one and two were not provided to him irresponsibly. This complaint relates, therefore, to loans three and four, which Mr C believes weren't suitable for him because:

- before loan three there had been a default registered by another payday lender;
- he was, at the time, borrowing from other short-term lenders;
- his credit report showed numerous other closed payday loans, together with credit card accounts that were in arrears or had exceeded their limits;
- he also had a gambling habit.

Mr C feels that Satsuma should've been aware of this through carrying out proper checks before lending to him.

Satsuma believes it did undertake sufficient and adequate checks and was satisfied that its loans were affordable to Mr C before it lent them.

Our adjudicator didn't think that Satsuma had been wrong to provide the loans to Mr C.

Because Mr C didn't agree with our adjudicator's findings the complaint has been passed to me for a 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 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 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 that 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.

So 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.

At the time of the loan applications Mr C told Satsuma that his monthly income was £3,550 and his total expenditure was £2,118. Before agreeing to provide loans three and four Satsuma carried out checks of Mr C's credit file and has told us that, in the light of its findings, it applied additional cost buffers to the figures given to it by Mr C. It also asked Mr C to verify his earnings, which he did by supplying his wage slips.

I haven't seen the results of Satsuma's credit checks but its files indicate that, whilst there was one default evident and a couple of payments in arrears, there was nothing to concern it. Its searches at the time of each loan didn't show any new payday loans within the preceding three months.

I should point out that, often, the information a consumer might see when they request a copy of their credit file might be quite different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain any differences between the information provided to Satsuma from its credit checks and the information that can be seen in the credit reports provided to us by Mr C.

In response to our adjudicator's recommendations, Mr C reiterated to us the reasons why he considered Satsuma should've been aware that he was experiencing financial difficulties as a consequence of borrowing to fund a gambling problem. These included:

- the amount of loan three was much higher than his first two loans;
- a default had been registered on his credit file by another short term lender;
- loan four was provided very soon after loan three was given, when loan three remained outstanding;
- he believes his gambling problem would've been evident to Satsuma if it'd checked his bank statements.

From the information that Mr C has provided to us I can see that his finances were under pressure at the time of these loans. But that wasn't revealed by the credit check information that was obtained by Satsuma. And it wasn't something that Mr C told Satsuma at the time either.

I don't think there was any reason for Satsuma to question the information Mr C had provided. The repayments that he had agreed to make on his loans were relatively modest compared to the income that he'd evidenced to Satsuma. And, based upon the disposable income he'd declared (even after Satsuma had added to the expenses), these repayments appeared to be comfortably affordable. This includes loan three which, whilst for a higher value than the prior loans, remained relatively modest compared to Mr C's income.

I can see that loan two still had a balance owing when loan three was given – but the outstanding repayment was only £106 and, even coupled with the repayments required to loan three at £159, I think that this would've still appeared affordable against the declared disposable income.

I acknowledge Mr C's observation about loan four being given just one month after loan three but, here again, I think that the combined monthly repayments of £321 would've appeared to Satsuma to be affordable.

So, in all of these circumstances, I don't think it would've been proportionate for Satsuma to ask Mr C for additional information that would've been necessary to show the lending was unsustainable. I wouldn't have expected Satsuma to go so far as to independently verify the financial information that Mr C gave by, for example, asking to see his bank statements. This means that even though Mr C's situation was worse than he disclosed to Satsuma, I don't think this would've been revealed by what I consider to be proportionate checks.

I'm sorry that my decision is likely to disappoint Mr C but I don't think Satsuma was wrong to give these loans to him.

### **My final decision**

My final decision is that I don't uphold this complaint and so won't be asking Provident Personal Credit Limited (trading as Satsuma) to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 January 2020.

Richard France

**Ombudsman**