

## complaint and background

Mr M says Provident Personal Credit Limited (trading as Satsuma Loans) irresponsibly lent to him in June 2014 and January 2018. This is a summary of Mr M's borrowing from Satsuma.

Loan	Taken out	Repaid	Amount, £
1	20/06/2014	26/09/2014	300
2	3/01/2018	-	1000

Our adjudicator upheld Mr M's complaint in part and thought loan 1 shouldn't have been given. Satsuma disagreed so the complaint been passed to me to make a final decision.

I reached a different conclusion and in my provisional decision (which forms part of this final decision) I set out why I wasn't planning to uphold the complaint. I asked Mr M and Satsuma to let me have any more information by 29 December 2019 before I made a final decision.

Mr M responded asking why other similar complaints he'd made were upheld, but not this one – why aren't they all 'right' or 'wrong'. Satsuma didn't provide any further comments or information.

## 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 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.

In response to Mr M's query – I can only comment here on the individual merits of this complaint. But I would add that the outcome of each short-term lending complaint – and indeed each loan within a complaint - can vary. This is because we reach a decision based on the consideration of a number of factors – there is more information on this and what we expect a business to do before lending in the section 'my provisional findings' in my provisional decision.

As neither party sent in any additional information or evidence in response to my provision decision, it follows I have no reason to change the findings or outcome I set out in my provisional decision. I would remind Satsuma of its obligation to treat Mr M fairly and reasonably in any settlement discussions about the outstanding balance on loan 2.

## my final decision

My decision is I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 March 2020.

Rebecca Connelley  
**ombudsman**

**copy of provisional decision**

**complaint**

Mr M says Provident Personal Credit Limited (trading as Satsuma Loans) irresponsibly lent to him.

**background**

This complaint is about two loans Satsuma provided to Mr M in June 2014 and January 2018. Loan 1 had a 13-week term and loan 2 a 12-month term. This is a summary of Mr M's borrowing from Satsuma.

Loan	Taken out	Repaid	Amount, £
1	20/06/2014	26/09/2014	300
2	3/01/2018	-	1000

Our adjudicator upheld Mr M's complaint in part and thought loan 1 shouldn't have been given. Satsuma disagreed so the complaint been passed to me to make a final decision.

**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 Mr M 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 Mr M 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 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. 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 M's complaint. And I've reached a different conclusion to the adjudicator. I'm currently not planning to uphold Mr M's complaint. I'll explain why.

The adjudicator said that from the checks Satsuma completed for loan one it should have been aware that based on the other short term loans Mr M had outstanding he was unlikely to be able to sustainably repay this loan, or any subsequent loans. Satsuma disagreed saying its checks did not show excessive loans with other lenders and it had considered the sustainability of Mr M's borrowing when it completed income and expenditure checks.

I've looked at the checks Satsuma carried out for loan 1, and what it should reasonable have concluded from the information it had. Given it was in the early stages of a lending relationship, I think it carried out proportionate checks and acted fairly based on the data it obtained. It did not have data showing that Mr M had a number of other short term loans active at this time. Considering the monthly repayments and Mr M's disclosed disposable income, the loan seemed affordable, and I've found nothing to suggest Mr M wouldn't have been able to repay the loan sustainably. It follows I'm not currently planning to uphold the complaint about loan 1.

Loan 2 was taken out over three years later. So I think it would have been reasonable for Satsuma to view that gap as an indication that Mr M's finances had stabilised after whatever the circumstances that had caused him to take out his previous loan. This means I have looked at loan 2 as a separate lending chain.

Like our adjudicator, I can find no grounds to uphold the complaint about loan 2. I think the checks Satsuma carried out for loan 2 were proportionate. Again, given the monthly repayment and Mr M's disclosed disposable income the loan seemed affordable. I haven't seen anything in the information Satsuma gathered that I think should have led it to conclude Mr M wouldn't be able to sustainably repay this loan.

Mr M says he had many other payday loans running at the same time and his credit file would have shown he couldn't afford these loans. But I've looked that the information Satsuma received from its credit checks and I can't see there was anything on either occasion that should have led it to decline Mr M's applications. I would add that the information Satsuma saw may not have been exactly the same as what Mr M may have seen on his credit file. A fuller picture of Mr M's financial position may have been apparent if Satsuma had say asked for bank statements. But given the early stage in the lending relationship and the information it did have, I don't think it would have been proportionate for Satsuma to request this level of information. So I don't think it was wrong to give loan 1 or 2 to Mr M.

So I'm currently not planning to uphold this complaint.

I understand there is an outstanding balance on loan 2 and would remind Satsuma of its obligation to treat Mr M fairly and reasonably in any settlement discussions.

**my provisional decision**

I'm not planning to uphold Mr M's complaint.

Rebecca Connelley  
**ombudsman**