

Complaint

Mr R says Provident Personal Credit Limited (trading as Satsuma) irresponsibly provided him with a loan.

Background

Mr R took one loan instalment loan from Satsuma. This loan was for £1,000 and began on 7 September 2018, with 12 monthly instalments due of £166 to repay it in full. But, Mr R repaid his loan early on 14 January 2019.

In our adjudicator's assessment he didn't think that Satsuma had treated Mr R unfairly when it approved the loan. This was because it carried out proportionate checks and the information it gathered suggested that Mr R would be in a position to be able to meet the repayments he was committed to making. So he didn't think it was wrong of Satsuma to have provided this loan.

Mr R didn't accept the adjudicator's findings, in response he said he only repaid the loan by borrowing from a family member, who then committed suicide. Mr R says that should be enough to reach a different outcome on the case.

Satsuma appears to have accepted the adjudicator's findings.

As no agreement could be reached the case has been 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.

Before I explain the decision, I've reached on this case, I just wanted to say how sorry I am to have heard what has happened not only to Mr R but his wider family this year. In no way does the outcome that I've reached mean that I underestimate the pain and suffering that he says he has been through as a result of what has happened. And I have kept this in mind when thinking about the case, but I also have to consider what Satsuma knew about Mr R's circumstances at the time the loan was granted.

Satsuma needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable checks to understand whether Mr R could repay his 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.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, the consumer's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it hasn't continued to provide these loans to a customer irresponsibly.

Satsuma says it agreed to Mr R's application after he provided details of his monthly income and expenditure. And, based on what he declared, the information suggested that Mr R would be able to make the repayments he was committing to. So, in these circumstances, it wasn't irresponsible to provide these loans.

I accept that Mr R's full financial circumstances may not have been reflected either in the information he provided, or the other information Satsuma obtained via the credit checks. And Mr R's actual financial position might well have been apparent if further information – such as bank statements or a copy of his actual credit report - had been obtained.

But Satsuma could only make its decision based on the information it had available at the time. And as it was still in the early stages of a lending relationship, I think the checks it carried out were proportionate. Taking into account the information Mr R provided about his income (£2,925) and his expenditure (£944) the monthly repayments of £166 appeared affordable based on this information.

Mr R only took one loan, so while further, more in-depth checks may well have been necessary and reasonable had it continued to lend to him, that didn't happen. So I don't think it was unreasonable of Satsuma to have relied on the information it was provided and gathered.

I also don't think it had reached the stage where there was a greater risk of the loan being unsustainable for Mr R. In these circumstances, I don't think Satsuma needed to take further steps to verify the information he had provided – such as asking Mr R for evidence of his income and outgoings which Satsuma could've gathered from his bank statements, bills or a copy of his credit report.

So based on the information that Satsuma had available at the time of the lending decision, I don't think it was wrong of it to have provided Mr R with this loan.

I've also thought about the credit file data that Satsuma obtained before it lent the loan to Mr R and whether that ought to have led it to make further enquires, or indeed cancel the application.

But, what I would add at this point, is that the information Satsuma saw wasn't exactly the same as what Mr R may have seen on his actual credit report. For example, Satsuma was aware of the headline information – like the number of new accounts he'd opened in the previous three months; whether he was insolvent; and whether there had been any adverse credit file data recorded in the six months leading up to this loan being approved. Those headlines wouldn't have raised any concerns at the time.

Based on the credit information Satsuma had available, I don't think this on its own would've led it to decline the applications for credit. So, I don't think Satsuma was wrong to have provided this loan, solely based on the information it gathered from the credit reference agency. In addition, I don't think it had any reason to doubt the information Mr R gave it when he applied for the loans.

I appreciate that this decision will come as a disappointment for Mr R, but I want to assure him that I've thought about and considered all the evidence that has been made available to me.

My final decision

My final decision is that I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 January 2020.

Robert Walker
Ombudsman