

## The complaint

Miss A complains that Provident Personal Credit Limited (trading as Satsuma) lent to her in an irresponsible manner.

## What happened

Miss A was given two loans by Satsuma in September and October 2018. Both loans were due to be repaid in 12 monthly instalments. Miss A's first loan, taken on 5 September was for £500. Her second loan, taken on 23 October, was for £300. Miss A appears to have faced some problems making her repayments on both loans, but they were both closed early on 22 May 2019.

Miss A's complaint has been assessed by one of our investigators. She didn't think Satsuma had been wrong to give either loan to Miss A. So she didn't think the complaint should be upheld.

Miss A didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

## What I've decided – and why

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 A 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 a 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).

Satsuma has told us about the checks it did before lending to Miss A. Before each loan it asked her for details of her income, and her normal expenditure. It checked that expenditure against other third party data, and where necessary modified the information Miss A had provided. And it checked Miss A's credit file before each loan too. I've seen the results of those credit checks, and they don't show anything that I think should have caused additional concerns to the lender.

As I said earlier, both of Miss A's loans were repayable in 12 monthly instalments. So the amount she needed to pay each month was less than if she'd taken a normal payday loan. But of course she was committing to making those repayments over a far longer period. And Miss A borrowed her second loan on the day after she'd made her first repayment on loan 1. So by then she'd need to be making repayments on two loans at the same time.

Miss A was entering into a lengthy commitment with Satsuma when she agreed to take the loans. So I don't think the checks the lender did were sufficient. I would have expected Satsuma to gain as full a picture as possible about Miss A's true financial situation before agreeing either loan.

But although I don't think the checks Satsuma did before agreeing the loans were sufficient, that in itself doesn't mean that Miss A's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Satsuma that Miss A couldn't sustainably afford the loans. So I've looked at a copy of Miss A's bank statement from around the time of the loans to see what better checks would have shown Satsuma.

Miss A's bank statement does show some early signs that her finances were starting to come under pressure. She is borrowing from a couple of other short term lenders at the same time. And her account doesn't always stay in credit - although it does appear to remain within her agreed overdraft limit. But what I've seen isn't unusual for consumers who were taking this sort of finance. I don't think there are enough indications here to suggest that better checks would have reasonably led Satsuma to conclude that Miss A couldn't sustainably afford the loan repayments.

So taking everything into consideration I don't think Satsuma was wrong to give these two loans to Miss A. It follows that I don't uphold her complaint.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 22 May 2020.

Paul Reilly  
**Ombudsman**