

The complaint

Miss G says Provident Personal Credit Limited trading as Satsuma Loans lent to her irresponsibly. She says she couldn't afford the loans and she had problems coping with the repayments.

What happened

This complaint is about two instalment loans Satsuma provided to Miss G between January 2019 and March 2019.

loan number	date started	amount borrowed	term (months)	repayments	date ended
1	02/01/2019	£700.00	12	£116	outstanding
2	15/03/2019	£300.00	12	£50	outstanding

Our adjudicator didn't uphold the complaint. She thought the checks Satsuma had made were proportionate so it wasn't wrong to approve the loans

Miss G disagreed with the adjudicator's opinion. She said that:

- she had large amounts of credit elsewhere
- she had defaulted on other loans and she had received a county court judgement
- she was paying a nominal amount to some of her other creditors including Provident
- her income was lower than that recorded by Satsuma and her expenditure was high

As no agreement has been reached the complaint has been passed to me.

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 Miss G 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).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss G's complaint. I've decided not to uphold Miss G's complaint and I've explained why below.

For loan 1 Miss G needed to repay around £115 per month for 12 months. Loan 2 added around £50 to this monthly repayment.

I've seen a record of the information Miss G provided when she completed her loan application. Miss G said she had a monthly income of around £1,650 and she had regular monthly outgoings of around £700. Satsuma used the information it obtained from the credit file to adjust this. But even after doing this Miss G still had enough disposable income to make the loan repayments. So I think it was reasonable for Satsuma to think that the loan repayments were affordable initially.

I understand that Satsuma had declined loans to Miss G earlier so it asked to look at some of her bank statements. Miss G has supplied some of the bank statements she provided to Satsuma. She thinks that these contradict the information that Satsuma had recorded about her and so it shouldn't have lent.

Looking at these bank statements they show the income Miss G declared wasn't unreasonable. But the information isn't clear enough for me to be able to say that the expenditure details Satsuma had weren't correct.

The bank statements do show that Miss G was paying a nominal sum to some of her creditors. But she hadn't started doing this recently and so this wasn't necessarily a sign that she was, at the time, struggling financially. Rather it showed that she had some problems in the past but that these were not necessarily ongoing.

And the bank statements don't show any other signs of significant financial difficulty such as problems making regular payments or extensive use of an overdraft.

Satsuma's credit checks did show that Miss G had a county court judgement over two years earlier. But again this was some time ago and the other credit file information that Satsuma obtained also doesn't show that she was having any significant current problems.

I haven't seen any further information that shows its likely Satsuma was made aware of any current financial problems Miss G might've been having. Or anything that would've prompted it to investigate her circumstances further. So I think it was reasonable for Satsuma to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Satsuma did for these loans were proportionate. And I think its decisions to lend for loans 1 and 2 were reasonable.

My final decision

For the reasons set out above, I don't uphold Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 27 March 2020.

Andy Burlinson
Ombudsman