

The complaint

Mr K says Provident Personal Credit Limited - trading as Satsuma - irresponsibly lent to him.

What happened

This complaint is about five instalment loans Satsuma provided to Mr K between April 2016 and April 2018. A summary of Mr K's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	06/04/2016	29/04/2016	13 weeks	£150.00	£71.54
2	14/05/2016	02/07/2016	13 weeks	£220.00	£104.95
3	09/07/2016	30/08/2016	13 weeks	£100.00	£47.71
4	15/01/2017	10/05/2017	3 months	£240.00	£118.08
break					
5	28/04/2018	Outstanding	9 months	£300.00	£66.60

Mr K's complaint was reviewed by one of our adjudicators and they didn't think it should be upheld. They thought there wasn't anything in the information Satsuma had asked Mr K to provide that should have prompted Satsuma to do more checks about Mr K's financial circumstances before lending to him. So, the adjudicator couldn't say Satsuma was wrong to have given the loans to Mr K.

Mr K disagreed. He said he was struggling to repay the loans and was struggling financially and with a number of health issues. As the complaint couldn't be resolved informally, it was 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 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 K could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 level of income);
- the *greater* the number and frequency of loans, and the longer the period 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.

There was a significant break in Mr K's borrowing from Satsuma. There was a gap of around 11 months between loans 4 and 5. I think it would be reasonable for Satsuma to view this gap as an indication that Mr K's finances had stabilised after whatever the circumstances were that had caused him to take out his previous loans. So, I will look at Mr K's borrowing in two separate lending chains.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr K's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Mr K disagreed with the adjudicator's view because he thought Satsuma's checks didn't go far enough and it should have been aware that he was struggling financially and had borrowing from short-term lenders as well as other debts. So, it shouldn't have lent to him.

Chain one – loan 1 to 4

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Mr K about his employment status and he confirmed he was employed and had a monthly income of between £1,150 and £2,100. Satsuma also checked Mr K's normal monthly living costs. Mr K declared these to be between £200 and £730 a month. Satsuma says it also searched Mr K's credit file and it has provided the results of its search. There weren't any recent adverse entries like defaults or county court judgements (CCJs) recorded on it at the time the loans were taken out. Based on this information, given that loan 1 was for a relatively low amount and based Mr K's declared income and outgoings, it wasn't unreasonable for Satsuma to consider the lending affordable

However, I can see on the credit file results, there was an indication Mr K was borrowing from other short-term lenders around the time of loan 1 – which can be a sign that someone is juggling their finances due to trying to make ends meet. So, I think this ought to have given Satsuma some cause for concern about what Mr K was telling it about his financial position. I think Satsuma needed to take the steps to verify the information Mr K was providing. And it could have done this several ways, such as asking to see his bank statements, or for copies of his payslips and/or bills.

But in saying this, we've asked Mr K to provide additional information – such as a copy of his credit file and copies of his bank statements from around the time of the lending. But he's only given us limited information – such as a copy of the summary page of his credit file. He's also explained he can't obtain his bank statements. So, without any further information, I can't say an error has been made regarding the checks Satsuma should have done as I don't know whether it would have thought the loan was unaffordable for Mr K. Overall, I can't say Satsuma was wrong to have provided loan 1 to Mr K.

For loans 2, 3 and 4, Mr K didn't display any difficulty repaying the loans and the credit file results from the time of these loans don't show any recent short-term loans or any other adverse entries. Although loan 2 was for a higher amount than loan 1, loan 3 was for a much smaller amount. And there was a gap of three months between loan 3 being repaid and loan 4 being taken out. In addition, Mr K declared outgoings decreased for loans 2 and 3. So overall, I don't think Satsuma was wrong to have provided these loans.

Chain two – loan 5

As mentioned above, loan 5 was taken out nearly a year after loan 4 was repaid. So effectively, a break in the chain of lending starts the "clocking ticking" again on what we consider to be proportionate checks a business should carry out when considering the length of borrowing relationship with a consumer.

This means Mr K was back to beginning in his lending relationship with Satsuma. Even though he had to make monthly repayments, the highest repayment would have appeared affordable based on the information he declared to Satsuma. And there wasn't anything in the information Mr K provided at the time which would have given Satsuma cause for concern, so I think it was reasonable of Satsuma to have relied on what Mr K gave it. For example, he was now declaring a higher income than previously. And whilst he was borrowing his largest amount of £300, this was repayable over a longer period than his previous loans so the amount he had to pay each month was less.

I think these factors had an impact of what level of checks would have been appropriate for Satsuma to carry out. Given this, I think the checks Satsuma did before lending the loan went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

The information Mr K declared to Satsuma at the time of the loans may not have been an accurate reflection of his financial circumstances, but I think Satsuma was entitled to rely on that information. At these early stages of the lending relationship, and what Satsuma knew about Mr K, I wouldn't have expected Satsuma to verify the information Mr K gave it. This therefore means, I can't say that Satsuma done something wrong in lending Mr K these loans.

I appreciate that my findings are likely to disappoint Mr K, and I've noted his comments around his health issues, but I don't see that Satsuma was made aware of the significance of these before it lent any of the loans – in particular loan 5 to Mr K. So – whilst I am sorry to hear that Mr K has been struggling with his health – this point doesn't alter my decision.

Overall, I hope my explanation will help him understand why I've reached this conclusion.

My final decision

I do not uphold Mr K's complaint and make no award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 July 2020.

Claire Marchant-Williams
Ombudsman