

## **The complaint**

Mrs F says Provident Personal Credit Limited (trading as Satsuma) lent to her irresponsibly. Mrs F says Satsuma didn't properly check her finances or her personal situation. Mrs F has also told us about a mental health condition. I won't go into detail about Mrs F's personal circumstances in order to preserve her privacy – but I have taken into account what she's told us.

## **What happened**

Mrs F had one loan with Satsuma in July 2018. The loan was for £500 and was repayable at £83 per month for 12 months. An adjudicator considered Mrs F's complaint but didn't think it should be upheld. Mrs F didn't accept this. She said she didn't have the capacity to make a decision to enter into the loan agreement and that it was up to businesses to check this. Mrs F's complaint was passed to me to decide.

## **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 Mrs F 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.

I think the checks Satsuma carried out before lending to Mrs F were proportionate. Mrs F declared a monthly income of £1,600 and her declared expenditure totalled £402 per month. This comprised £252 for housing, £50 for financial commitments and £100 for 'other' expenditure. Satsuma made some significant adjustments to these expenditure figures by applying what it calls 'safeguards'. After adjustments, it treated Mrs F's expenditure as if it were £1,038.11 per month. So it used a figure of £561.89 as Mrs F's disposable income and decided the loan, which had repayments of £83 per month, was affordable. I think that was a reasonable decision.

Although Mrs F said she had other payday loans, this isn't what Satsuma's credit checks showed. The credit check Satsuma carried out said Mrs F had no payday loans in the three months before making her application and there was no other adverse data. Of course, different credit searches can show different things. But I think the checks carried out by Satsuma were reasonable and proportionate in Mrs F's circumstances.

In response to the adjudication, Mrs F said she didn't have the capacity to enter into the loan agreement because of her mental health difficulties. I've not seen that Mrs F raised this point in her initial complaint - although I accept she did mention her mental health. I have however seen evidence, from Mrs F's GP, about her health and have considered this.

I don't have the power to declare the loan agreement is legally unenforceable, but I have considered what is fair and reasonable, as well as the relevant law. While I'm sorry to hear of Mrs F's difficulties, the evidence I've seen doesn't suggest Mrs F didn't have the capacity to understand or enter into this loan agreement. So I can't fairly say Satsuma should take any action in respect of the loan agreement.

I realise this will be disappointing for Mrs F but my decision is that her complaint should not be upheld.

### **My final decision**

For the reasons given above, I do not uphold this complaint against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 15 July 2020.

Matthew Bradford  
**Ombudsman**