

The complaint

Ms L complained about an instalment loan she took out with Provident Personal Credit Limited (trading as 'Satsuma') and said this was unaffordable for her.

What happened

Ms L took out an Satsuma loan for £1,000 in December 2018 which she was due to repay in 12 instalments of £166. The loan hasn't yet been paid.

One of our adjudicators reviewed what Ms L and Satsuma told us about this loan. He first of all thought this was a complaint we should uphold, but changed his mind about this when Satsuma sent us some further information.

After reviewing what he'd found out about the way Satsuma had assessed Ms L's loan application, our adjudicator thought that the loan would've looked affordable for Ms L. And given the checks Satsuma would be expected to carry out before lending to her, he didn't think Satsuma lent irresponsibly to Ms L. So our adjudicator now didn't uphold her complaint.

Ms L disagreed and asked for an ombudsman to look at her complaint.

Ms L mainly says Satsuma didn't do thorough checks and so it gave her a loan which was unaffordable for her. She told us that she was in over her head with debt - as her credit report shows.

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. And I've used this approach to help me decide this complaint.

Satsuma provided Ms L with a high-interest loan intended for short-term use so it needed to make sure that it didn't provide the loan irresponsibly.

In practice this means that it should have carried out proportionate checks to make sure Ms L could repay the 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 Ms L'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've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms L's complaint.

Before lending to Ms L, Satsuma asked her for information about her financial situation, such as her monthly income and her outgoings. It also asked about any other credit commitments and carried out credit checks.

Satsuma says it agreed to Ms L's application after carrying out all the proper checks. And it relied on information Ms L provided about her monthly income and expenditure as well as information obtained from a credit reference agency. Satsuma checked her payslip to verify her monthly income and boosted her likely outgoings to include an extra safeguard when working out what she could afford to pay. Satsuma says the information it recorded for Ms L showed that she'd be able to comfortably make the loan repayments. And in these circumstances it was reasonable to lend.

This was her first loan with Satsuma. So I think Satsuma could reasonably rely on information Ms L provided. Looking at the monthly loan repayment amounts and the loan term, and taking into account the information it seems Ms L told Satsuma about her monthly income and what she was paying out, this repayment amount looked comfortably affordable for Ms L. And I haven't seen anything in the information that Satsuma gathered about Ms L that makes me think it should've realised that Ms L was going to find it difficult to afford to pay this loan in a sustainable way.

I'm sorry that Ms L had a problem with debt and that making the loan repayments she'd signed up to was difficult for her. I accept that in reality Ms L's *actual* circumstances possibly weren't fully reflected either in the information she provided, or the other information Satsuma obtained.

But it's reasonable to expect that Satsuma could've only decided Ms L's lending application based on the information it had available at the time. And, at this stage of the lending relationship, I don't think proportionate checks would've required Satsuma to ask Ms L to prove what she was declaring or check other information sources to verify what she had told them (or omitted to say) about her financial circumstances. So unless Ms L mentioned her concerns about being able to afford this extra borrowing alongside her other lending when she applied to Satsuma for this loan, I wouldn't reasonably expect Satsuma to have enquired about all the information that's shown on the credit report Ms L has sent us.

I don't think it was unreasonable for Satsuma to lend without making any more detailed enquiries into her circumstances as there wasn't anything obvious, in the information it had, to suggest Ms L wouldn't be able to repay the loan in a sustainable way.

In coming to my decision I've thought carefully about everything that Ms L has said, including the comments made in response to our adjudicator's view. I appreciate she feels strongly about this complaint. I understand that what I've said will come as a disappointment but I hope that setting out the reasons as I've done will help explain how I've reached my decision.

I'd just take this opportunity to remind Satsuma (or any third party) that it should discuss payment options with Ms L and treat her fairly and sympathetically.

If Ms L needs further time to pay what she owes Satsuma and/or she would like help to sort out an agreed payment schedule or advice on how to manage her finances there's more information about how to get free debt advice on our website – or we can provide her with useful contact details if she gives us a call.

My final decision

For the reasons I've given, I'm not upholding Ms L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 25 April 2020.

Susan Webb
Ombudsman