

## **The complaint**

Mr C says Provident Personal Credit limited (trading as Satsuma) irresponsibly lent to him and provided him with a loan without sufficient affordability checks to assess whether he could reasonably afford the loan. Mr C fell into arrears and eventually defaulted on the loan but says he never received any communications from Satsuma about this.

## **What happened**

Mr C took a £1,000 instalment loan with Satsuma on 12 September 2018. The instalments of £166 were payable over 12 months. Mr C made the first two repayments late and fell into arrears. He discussed setting up a repayment plan and made a further partial payment in April 2019. The loan defaulted in June 2019 and was passed to a third party.

Our adjudicator did not recommend Mr C's complaint be upheld. Mr C did not agree. As Mr C didn't agree, the complaint has come to me for a decision.

## **What I've decided – and why**

Firstly, I would like to offer my sympathies for what Mr C has been through and the issues he still faces with regards to his health and finances. However, although I empathise with the position in which Mr C is in, I must also remain impartial when considering his complaint.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account all the relevant rules, guidance and good industry practice.

I will only be addressing those issues I consider to be materially relevant to the outcome of the complaint. And although I may not address each individual point Mr C has raised, I've given careful consideration to all of his submissions before arriving at my decision.

Satsuma needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable checks to understand whether Mr C could repay his 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 the consumer's income and expenditure.

So I would expect an assessment of creditworthiness to vary with circumstance. In general, I'd expect a lender to require more assurance, the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But I might think a lender might need to do more if, for example, the consumer's income was low or the amount lent or monthly repayment was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower

experiencing financial difficulty. So I'd expect a lender to be able to show that it hasn't continued to provide loans to a customer irresponsibly.

Satsuma says it carried out eligibility, creditworthiness and affordability checks before making a decision as to whether to provide a loan. This information didn't suggest that Mr C wouldn't be able to make the repayments he was committing to. And in these circumstances, Satsuma felt it wasn't irresponsible to lend.

The information provided by Satsuma does suggest that Mr C was asked to declare details of his monthly income, along with his monthly expenses. Mr C declared an income of £1,200 and expenses of £310. Satsuma added their own internal safe guards and buffers to the information Mr C declared, but even then, the maximum monthly repayment of £166, still appeared affordable to Satsuma.

There was no requirement for Satsuma to do a credit search, but the type of searches it did do did not show the level of detail that Mr C's own credit report would show. Satsuma's searches covered things like insolvency, debt management plans and county court judgments as well as other recent payday loans. But the searches did not capture the full details of Mr C's actual financial situation.

I accept that Mr C's actual circumstances weren't reflected in the information he provided (or obtained through Satsuma's own searches). But this was Mr C's first loan with Satsuma and, at this stage in the lending relationship, Satsuma was entitled to rely on the information Mr C provided. I don't think there was any reason for Satsuma to doubt the information Mr C gave it. The repayments that Mr C agreed to make on his loan were relatively modest compared to the monthly income that he declared to Satsuma. And, even after allowing for his regular monthly expenditure, I'm satisfied that the repayments would have appeared to be affordable for Mr C.

So given the repayment amounts, what was apparent about Mr C's circumstances at the time, and his lack of borrowing history with Satsuma, I don't think it would've been proportionate for Satsuma to ask him for the amount of information that would be needed to show the lending was unsustainable. That is to say; I don't think Satsuma needed to ask for Mr C's bank statements or for the level of detail that they would have shown Satsuma about Mr C's actual financial circumstances. So, I don't think Satsuma was wrong to give this loan to Mr C and I'm not upholding this part of Mr C's complaint.

Mr C says he never received the default notice or any communications to explain that the debt was being passed on to a third party. Satsuma says it did send a default notice. Where there is a dispute about what happened, I make my decision based on the balance of probabilities; that is, what I think is more likely than not to have happened.

Although Satsuma hasn't retained a copy of Mr C's default notice, it has provided a sample letter that it says would have been issued. I can also see from a screen shot of its system's notes that a default notice was recorded as being sent on 23 May 2019. Satsuma also had the correct address for Mr C. So I think it's more likely than not it was issued.

I'm also mindful that Mr C had been struggling to repay the loan for quite some time prior to the default. The first two repayments were made late in November and December 2018. This was followed by four missed payments, before a partial payment was made in April 2019. Several attempts to set up a repayment plan had been made and payment dates pushed back on several occasions. Mr C told us that he 'called on 25 June 2019 to set up another arrangement'. So, it seems he still wasn't able to make a payment towards the loan at this time. Indeed, Mr C did not make a payment to the third party until 24 August 2019. The

credit file has to accurately reflect the conduct of the account and I don't think a default is an unfair reflection of what happened given the number of missed and late payments.

I appreciate Mr C has provided letters addressed to Satsuma on 12 April 2019 and 15 May 2019 in which he requested payment plans and sent details of his medical records. However, the text communications on the 13 April 2019 and 16 May 2019, show that payment plans were agreed and put in place and appear to supersede Mr C's letters.

I know Mr C feels strongly and will be disappointed by this outcome. He has put time and effort into the complaint. I've thought carefully about all that he has said. But based on everything I've read and been told, on balance, I don't think it'd be fair and reasonable to uphold his complaint.

### **My final decision**

My final decision is I do not uphold Mr C's complaint and therefore I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 May 2020.

Kathryn Milne  
**Ombudsman**