

## complaint

Mr M's complaint is about two instalment loans she took with Provident Personal Credit Limited trading as Satsuma Loans. Mr M says these loans were unaffordable.

## background

Satsuma Loans provided Mr M with two instalment loans between October 2017 and January 2018, as detailed below.

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment
1	09/10/2017	06/12/2017	12	£1,000.00	£166.00
2	13/01/2018	Outstanding	12	£1,000.00	£166.00

Our adjudicator thought Satsuma Loans hadn't done anything wrong when providing Mr M with his loan. He explained that Satsuma Loans gathered adequate information and there wasn't anything within that information that was cause for concern. Mr M disagreed and said he had multiple other short-term loans and he was struggling financially. Mr M says these were large loans and a proper assessment by Satsuma would've shown he couldn't afford them.

As an agreement couldn't be reached the case was passed to me – an ombudsman – for a final decision.

## my findings

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 considered the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Having carefully thought about all of this, I don't think Satsuma Loans has treated Mr M unfairly or that it should pay him compensation. I know this will come as a disappointment to Mr M and I'd like to explain why I think this is the case.

Mr M was provided with two high-interest loans, intended for short-term use. So Satsuma Loans needed to make sure that it didn't provide them irresponsibly. In practice, what this means is that Satsuma Loans needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M before providing it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and whether it verifies that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent 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, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

In his complaint Mr M says that Satsuma Loans didn't lend to him responsibly because he already had a number of short-term loans. He says had Satsuma Loans properly reviewed his credit file it would've seen he couldn't afford the loans. Overall, Mr M says the lending had a negative impact on his financial situation.

Satsuma Loans says that it carried out adequate checks – by gathering details of Mr M's income and expenditure. It also carried out a credit reference check for both loans. And based on this information Satsuma Loans says it didn't see anything to alert it to any sustainability or affordability issues for the loans it gave Mr M.

It's important to note that when Mr M took out this loan with Satsuma Loans it doesn't seem that he had an existing relationship with them. The first loan was to be repaid over 12 instalments of around £166. Mr M had told Satsuma Loans that his monthly income was around £1,500 and he had a reported expenditure of around £300. Mr M's income remained the same for loan 2, but his expenditure had increased to £675. There isn't anything obvious about these figures that suggests Satsuma Loans had reason to question the information it had about Mr M or verify it. Looking at the monthly repayments in light of Mr M's declared disposable income it's difficult for me to conclude that Satsuma Loans was wrong to decide that the repayments would be affordable sustainably for Mr M.

I understand Mr M says his credit file would've revealed the state of his financial affairs. I can see that Satsuma Loans has gathered information from credit reference agencies. When Mr M applied for loan 1 it seems Mr M did have a history of using short-term lending. However, there didn't seem to be negative entries within these checks to alert Satsuma to any issues. For example, Mr M hadn't defaulted on loans and he didn't appear to have multiple loans running concurrently.

For loan 2 I think Satsuma Loans needed to carry out further checks as Mr M was borrowing a significant amount again and had only recently repaid loan 1. So I would've expected Satsuma Loans to build up a clearer picture of Mr M's finances. Satsuma Loans carried out another income and expenditure assessment. Although Mr M's expenditure had slightly increased the repayments still left him with sufficient disposable income. Mr M's credit checks at this stage also showed an increase in Mr M's use of short-term lending. But Mr M hadn't defaulted on multiple loans at this stage and he wouldn't have had multiple loans running concurrently with loan 2 being provided. So, whilst Mr M had increased his reliance on short-term I don't think there was enough within the credit search to alert Satsuma Loans to the extent of Mr M's financial difficulties.

I can see loan 2 is still outstanding and has been sold on to a debt collection agency. I appreciate Mr M's comments about the impact this has had on him. But I haven't seen anything to make me think Satsuma Loans acted irresponsibly in the circumstances of his case.

### **my final decision**

For the reasons explained 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 Mr M to accept or reject my decision before 2 September 2020.

Chandni Green  
**Ombudsman**