

The complaint

Mr S says Provident Personal Credit Limited (trading as Satsuma) lent to him irresponsibly.

What happened

Mr S had one loan with Satsuma in September 2017. The loan was for £500, repayable in six monthly instalments of £158. I understand the loan was repaid early in November 2017.

An adjudicator considered Mr S's complaint but didn't think it should be upheld. Mr S didn't agree with the adjudicator, so his 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 Mr S 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.

Before lending to Mr S, Satsuma asked him some questions about his income and expenditure. Mr S said his monthly income was £2,200 and his monthly expenditure included £350 for housing, £450 for financial commitments and £240 for 'other' expenditure. Satsuma applied what it calls 'safeguards' and using credit reference agency data it increased Mr S's financial commitments to £1,242.15 per month. It therefore estimated that Mr S's disposable monthly income was £367.85 and that the loan repayments of £158 each month were therefore affordable.

Satsuma's credit check also told it that Mr S had no insolvency arrangements, debt management plans or late payments on his file. The credit check also told Satsuma that Mr S had no payday loans in the month before the application and two payday loans in the three months before the application.

I think the checks Satsuma carried out were proportionate and that Satsuma's decision to lend to Mr S was reasonable. I appreciate Mr S's point that Satsuma could've taken a more detailed look at his credit file and seen he had a lot of other debt - but this isn't something Satsuma was specifically required to do. And I've not seen that Satsuma was aware of anything about Mr S's circumstances which ought to have prompted it to carry out more detailed checks.

I was sorry to read of the difficult circumstances Mr S found himself in. I won't repeat what he has told us here in order to protect his privacy. But I don't think this is something Satsuma could reasonably have been aware of.

I realise this will be disappointing for Mr S, but I am not upholding his complaint.

My final decision

For the reasons given above, I do not uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 July 2020.

Matthew Bradford
Ombudsman