

The complaint

Mr I says Provident Personal Credit Limited – trading as Satsuma (“Satsuma”) irresponsibly lent to him.

What happened

This complaint is about one instalment loan Satsuma provided to Mr I in December 2018. The loan was for £1,000 and was repaid over 12 monthly instalments of £166.

Our adjudicator didn’t uphold Mr I’s complaint and thought Satsuma’s checks for the loans went far enough. Mr I disagreed and asked for his complaint to be passed to an ombudsman for review. He didn’t think Satsuma’s checks went far enough – and had it done proportionate checks it would have found he had other short-term loans and was struggling financially.

As Mr I asked for an ombudsman’s review, the complaint has been passed to me.

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 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 I could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure. In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Satsuma should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr I's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Mr I disagreed with the adjudicator's view because he thought Satsuma's checks didn't go far enough and it should have been aware that he was struggling financially and had other borrowing from short-term lenders as well as other debts. So, it shouldn't have lent to him.

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Mr I about his employment status and he confirmed he was employed and had a monthly income of £2,150. Satsuma also checked Mr I's normal monthly living costs. Mr I declared these as £1,819.33 per month. Satsuma says it also searched Mr I's credit file and it has provided the results of its search. There weren't any recent adverse entries like defaults or county court judgements (CCJs) recorded on it at the time the loan was taken out.

Mr I has also provided a copy of his credit report and bank statements and these show he was borrowing from other short-term lenders. But a lot of this borrowing doesn't show on the credit report findings Satsuma has provided.

As this was the first loan Mr I had borrowed from Satsuma, he was very early on in his lending relationship with it. And even though he had to make monthly repayments, the highest repayment would have appeared affordable based on the information he declared to Satsuma. And there wasn't anything in the information Mr I provided at the time which would have given Satsuma cause for concern, so I think it was reasonable of Satsuma to have relied on what Mr I gave it.

I think these factors had an impact on what level of checks would have been appropriate for Satsuma to carry out. Given these, I think the checks Satsuma did before lending the loan went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

The information Mr I declared to Satsuma at the time of the loan may not have been an accurate reflection of his financial circumstances, but I think Satsuma was entitled to rely on that information. At this stage of the lending relationship, and what Satsuma knew about Mr I, I wouldn't have expected Satsuma to verify the information Mr I gave it. This therefore means, I can't say that Satsuma have done something wrong in lending Mr I this loan.

I appreciate that Mr I has put a lot of time and effort into his complaint and my findings are likely to disappoint him. But I hope my explanation will help him understand why I've reached this conclusion.

My final decision

I do not uphold Mr I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 3 August 2020.

Claire Marchant-Williams

Ombudsman