

The complaint

Miss G says Provident Personal Credit Limited – trading as Satsuma – irresponsibly lent to her.

What happened

This complaint is about two instalment loans Satsuma provided to Miss G between January and July 2019. A summary of Miss G's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment
1	07/01/2019	20/03/2019	12	£1,000.00	£166.00
2	29/07/2019	05/01/2020	12	£1,200.00	£199.20

Miss G's complaint was reviewed by one of our adjudicators and they didn't think it should be upheld. They thought there wasn't anything in the information Satsuma had asked Miss G to provide that should have prompted Satsuma to do more checks. So, the adjudicator couldn't say Satsuma was wrong to have given these loans to Miss G.

Miss G disagreed. She said she was struggling financially. She also says these loans shouldn't have been agreed because she had other outstanding debts including another short-term loan. As the complaint couldn't be resolved informally, it 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 Miss G 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 Miss G's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Miss G disagreed with the adjudicator's view because she thought Satsuma's checks didn't go far enough and it should have been aware - given how she was using the credit facilities - that she was struggling financially. So, it shouldn't have lent to her.

Satsuma has told this service about the checks it carried out before approving all the loans. It has said it asked Miss G about her employment status and she confirmed she was employed and had a monthly income of between £1,400 and £2,000 for each loan.

Satsuma also checked Miss G's normal monthly living costs. Miss G declared these to be between £910 and £1,116 a month. Satsuma says it also searched Miss G's credit file and it has provided the results of its search. There weren't any recent adverse entries like county court judgements (CCJs) recorded on it at the time the loans were taken out. So, there wasn't anything in the credit report which would have made Satsuma carry out further checks.

The report did identify that at loan 2, Miss G had one loan from another short-term lender but as it was only one loan I don't think Satsuma ought to have increased its checks before it lent to her again.

Miss G borrowed and repaid loan 1 without any obvious difficulty, there was then a four-month gap between Miss G repaying her first loan and taking out loan 2. At such an early stage in the relationship, I think it would have been reasonable for Satsuma to view this gap as an indication that Miss G's finances had stabilised after whatever had led to her to need to borrow previously. So, she was very early on in her lending relationship with Satsuma. Even though she had to make monthly repayments, the highest repayment would have appeared affordable based on the information she declared to Satsuma.

And there wasn't anything in the information Miss G provided at the time of loan two which would have given Satsuma cause for concern, so I think it was reasonable of Satsuma to have relied on what Miss G gave it.

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

The information Miss G declared to Satsuma at the time of the loans may not have been an accurate reflection of her 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 Miss G, I wouldn't have expected Satsuma to verify the information Miss G gave it. This therefore means, I can't say that Satsuma has done something wrong in lending Miss G these loans. But even if it had done more checks, looking at the bank statements and credit report Miss G has provided, I don't think there was anything in the information which would have prompted Satsuma not to lend to her.

I appreciate that my findings are likely to disappoint Miss G. She's put time and effort into her complaint, but I hope my explanation will help her understand why I've reached this conclusion.

My final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 13 August 2020.

Claire Marchant-Williams
Ombudsman