

Complaint

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

Background

This complaint is about two instalment loans Satsuma provided to Mr D. Loan 1 was for £400 and was agreed in January 2017 - the repayments were £126.40 per month. Loan 2 was for £800 and was agreed in August 2017 - the repayments were £393.60 per month.

An adjudicator considered Mr D's complaint but didn't think it should be upheld. Mr D didn't accept this, so the complaint was passed to me to decide.

My findings

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 D 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 D, Satsuma carried out credit checks and asked Mr D for some information about his income and expenditure. For both loans, Mr D told Satsuma his monthly income was £1,300 and his monthly expenditure was £400. Satsuma increased the expenditure figure slightly, to £430, as a result of the credit checks and/or internal safeguards.

I think Satsuma's checks were proportionate for the first loan. The information provided by Mr D suggested he could afford the monthly repayments and the credit check Satsuma carried out didn't suggest otherwise. So I don't think Satsuma acted unfairly by agreeing this loan.

For loan two, I don't think Satsuma did carry out proportionate checks. Its credit check - unlike the check for loan 1 - suggested Mr D had recently defaulted on one or more loans. I can see from information provided by Mr D that he had defaulted on a loan in February 2017 - although it seems that default was satisfied in March 2017. Even though the recent default was satisfied by the time Mr D applied to Satsuma, I think its checks ought to have gone further. Mr D was returning to borrow twice as much as loan 1 and had recent adverse credit history. So I think Satsuma ought to have taken additional steps to verify Mr D's income and outgoings - including asking Mr D for some form of evidence of these things.

I've used Mr D's main bank statements to look at his income and outgoings in the months before loan 2 was approved to decide what I think Satsuma would've found, had it taken steps like those I've described above. On balance, I think Satsuma would still likely have approved the loan and I do not think it would've been unfair to do so, on the basis of the available evidence. I can see that at times there is information of concern on Mr D's bank statements. But this information does not appear in the months immediately before the loan - so I don't think it would be fair to conclude Satsuma would likely have seen it. Additionally, although these statements might have revealed undeclared debts, I do not think they suggest the repayments for loan 2 would've been unsustainable.

I realise this will be disappointing for Mr D but for the reasons given above, I do not uphold his complaint.

My final decision

I do not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 June 2020.

Matthew Bradford
Ombudsman