

## The complaint

Mr H says Provident Personal Credit Limited - trading as Satsuma - irresponsibly lent to him.

## What happened

This complaint is about three instalment loans Satsuma provided to Mr H between December 2015 and July 2017. A summary of Mr H's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	10/12/2015	08/09/2016	52 weeks	£1,000.00	£191.35
2	24/10/2016	30/12/2016	52 weeks	£1,000.00	£191.35
Break in lending					
3	14/07/2017	Outstanding	12 months	£1,500.00	£249.00

Mr H'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 Mr H to provide that should have prompted Satsuma to do more checks. So, the adjudicator couldn't say Satsuma was wrong to have given the loans to Mr H.

Mr H accepted the adjudicator's assessment about loans 1 and 2 but he disagreed with their findings about loan 3. He said he had loans from other short-term lenders at the time and was struggling financially. As the complaint couldn't be resolved informally, it was 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 H 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 H's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

As Mr H accepts the adjudicator's assessment about loans 1 and 2, I won't be making any further findings on them. That just leaves me to consider loan 3.

Mr H 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 had other short-term loans. So, it shouldn't have lent to him.

There was a gap of seven months between Mr H repaying loan 2 and borrowing again at loan 3. I think it was reasonable of Satsuma to view this gap as an indication that Mr H's finances had stabilised after whatever the circumstances were that had caused him to take out his previous loans. A break in the chain of lending, in effect, starts the 'clock ticking' again on what we would consider to be proportionate checks a business should carry out when considering the length of the borrowing relationship with the consumer.

So, Mr H was very early on in his lending relationship with Satsuma. 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 H 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 H gave it.

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Mr H about his employment status and he confirmed he was employed and had a monthly income of £2,100. Satsuma also checked Mr H's normal monthly living costs. Mr H declared these to be £700.66 a month. Satsuma says it also searched Mr H'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. So, I don't think there was anything that ought to have prompted Satsuma to do further checks or not to provide the loan to Mr H.

Mr H has provided a copy of his bank statements from around the time loan 3 was taken out and these show he was borrowing from other short-term lenders. But Satsuma wasn't aware of this and whilst the information Mr H declared to Satsuma at the time of the loans may not have been an accurate reflection of his financial circumstances, I think Satsuma was entitled to rely on that information. At this stage of the lending relationship, and what Satsuma knew about Mr H, I wouldn't have expected Satsuma to verify the information Mr H gave it. This therefore means, I can't say that Satsuma done something wrong in lending Mr H these loans.

I think 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 loans went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

I appreciate that my findings are likely to disappoint Mr H, but I hope my explanation will help him understand why I've reached this conclusion.

**My final decision**

I do not uphold Mr H's complaint and make no award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 August 2020.

Claire Marchant-Williams  
**Ombudsman**