

The complaint

Mr C says Provident Personal Credit Limited trading as Satsuma lent to him irresponsibly. He says that repaying the loans caused him financial problems and he needed to borrow again to make the repayments. He thinks that Satsuma should've checked he could afford the loans before lending. If it had done this it wouldn't have lent to him.

What happened

This complaint is about two instalment loans Satsuma provided to Mr C between April and June 2018. Some of the information Satsuma has provided about the lending is below.

| loan number | date started | amount borrowed | term | date ended |
|-------------|--------------|-----------------|----------|-------------|
| 1 | 20/04/2018 | £120 | 3 months | 02/08/2018 |
| 2 | 09/06/2018 | £750 | 4 months | outstanding |

Our adjudicator didn't uphold the complaint.

Mr C disagreed with the adjudicator's opinion. He said that there was enough information on his credit file at the time for Satsuma to have seen that the loans weren't affordable for him. He says his finances were in very poor shape and thinks that Satsuma should've seen this and not lent to him

As no agreement has been reached 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 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 C 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.

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 particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time 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 of the arguments, evidence and information provided in this context and what this all means for Mr C's complaint. I've decided to not to uphold Mr C's complaint and I've explained why below.

Why I think Satsuma's checks were proportionate for loans 1 and 2

For loan 1 Mr C needed to repay around £50 each month for three months. For loan 2 this rose to £300 over a four month term.

I've seen a record of the information Mr C provided when he completed his loan applications. Mr C said he had a monthly income of £2,000 and he had regular monthly outgoings of around £1,000. I can see that Satsuma increased Mr C's loan expenditure with the information it took from his credit file. So it based its lending decisions on Mr C having around £700 of disposable income. So the loans would've appeared affordable to Satsuma.

I can see that Mr C was having some financial difficulties at the time. And I appreciate the problems he would've been facing. But I haven't seen any further information that shows it's likely Satsuma was made aware of these problems. Or anything that would've prompted it to investigate his circumstances further, particularly at this early stage in the lending relationship. So I think it was reasonable for Satsuma to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Satsuma did for these loans were proportionate. And I think its decision to lend for loans 1 and 2 was reasonable. And I'm not upholding Mr C's complaint about them.

My final decision

For the reasons set out above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 July 2020.

Andy Burlinson
Ombudsman