

The complaint

Miss W complained about an instalment loan she took out with Provident Personal Credit Limited (trading as 'Satsuma') and said this was unaffordable for her.

What happened

Miss W took out a Satsuma loan for £1,000 in November 2018 which she was due to repay in 12 instalments of £166. The loan hasn't yet been paid.

One of our adjudicators reviewed what Miss W and Satsuma told us about this loan. He didn't think that it would've been proportionate for Satsuma to have asked Miss W for the amount of information needed to show the lending was unsustainable. And there wasn't anything in the information she provided, or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what Miss W was saying.

So our adjudicator didn't uphold the complaint.

Miss W disagreed and asked for an ombudsman to look at her complaint.

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. And I've used this approach to help me decide this complaint.

Satsuma provided Miss W with a high-interest loan intended for short-term use so it needed to make sure that it didn't provide the loan irresponsibly.

In practice this means that it should have carried out proportionate checks to make sure Miss W could repay the loan 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 Miss W'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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss W's complaint.

Before lending to Miss W, Satsuma asked her for information about her financial situation, such as her monthly income and outgoings. It also asked about any other loans she had to pay and carried out credit checks.

Satsuma says it agreed to Miss W's application after carrying out all the proper checks. And it relied on information Miss W provided about her monthly income and expenditure as well as information obtained from a credit reference agency. Satsuma said that, even after boosting her expenditure figure to build in a safety margin and give Miss W extra protection, the information it recorded for Miss W showed that the loan was affordable for her.

This was Miss W's first loan with Satsuma. So I think Satsuma could reasonably rely on information Miss W provided. Looking at the monthly loan repayment amounts and the loan term, and taking into account the information it seems Miss W told Satsuma about her monthly income and what she was paying out, this repayment amount looked comfortably affordable for Miss W. And I haven't seen anything in the information that Satsuma gathered about Miss W that makes me think it should've realised that Miss W was going to find it difficult to afford to pay this loan in a sustainable way.

I'm sorry that Miss W is in financial hardship and that making the loan repayments she signed up to is difficult for her.

I accept that in reality Miss W's *actual* circumstances possibly weren't fully reflected either in the information she provided, or the other information Satsuma obtained.

But Satsuma was entitled to decide Miss W's lending application based on the information it had available at the time. And I don't think proportionate checks would've required Satsuma to ask Miss W to prove what she was declaring or check other information sources to verify what she had told them (or omitted to say) about her financial circumstances.

I haven't seen anything to make me think that Miss W mentioned her concerns about being able to afford this extra borrowing on top of everything else she had to pay when she applied to Satsuma for this loan. So I wouldn't reasonably expect Satsuma to have had any reason to believe that she had money problems.

And I don't think it was unreasonable for Satsuma to lend without making any more detailed enquiries into her circumstances as there wasn't anything obvious, in the information it had, to suggest Miss W wouldn't be able to repay the loan in a sustainable way.

In coming to my decision I've thought carefully about everything that Miss W has said, including the comments made in response to our adjudicator's view.

I appreciate she feels strongly about this complaint. I understand that what I've said will come as a disappointment. But financial hardship isn't enough on its own for me to be able to uphold her complaint.

And I hope that setting out the reasons as I've done will help explain how I've reached my decision.

I remind Satsuma (or any third party) that it should discuss payment options with Miss W and treat her fairly and sympathetically.

If Miss W needs further time to pay what she owes Satsuma and/or she would like help to sort out an agreed payment plan or advice on how to manage her finances there's more information about how to get free debt advice on our website – or we can provide her with useful contact details if she gives us a call.

My final decision

For the reasons I've given, I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 25 September 2020.

Susan Webb
Ombudsman