

The complaint

Ms W says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to her.

What happened

This complaint is about two loans that Satsuma provided to Ms W - here's a table setting out details:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest* Repayment
1	04/10/2016	23/01/2018	26 Weeks	£500.00	£184.15
2	06/12/2016	27/05/2020	52 Weeks	£500.00	£279.80*

*this shows the most that Ms W paid in any one month when the loans overlapped

Our adjudicator didn't uphold Ms W's complaint and thought the loans weren't unfairly provided.

Ms W disagreed.

She mainly says that Satsuma didn't check her finances properly and she wasn't earning the amount that Satsuma said she was - so the loans it provided were based on an incorrect income figure.

Ms W has asked for an ombudsman to review her complaint so it comes to me for a final decision.

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 Ms 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 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.

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

Before lending to Ms W, Satsuma asked Ms W for information about her financial situation, such as her monthly income and her outgoings, and it carried out credit checks.

I've looked at each loan in turn and thought about whether it was fair for Satsuma to lend to Ms W.

loan 1

Satsuma says it asked Ms W about her income and relied on the figures she provided when checking if she could afford the cost of the loan she was applying for. Satsuma also asked Ms W about the things she spent money on each month and took into account that she would need to pay for the loan on top of her existing commitments. And Satsuma allowed for the fact that Ms W would need to have money left over to cover possible extra expenses she might have to meet whilst repaying the loan.

Satsuma said it checked (using a credit bureau service) that Ms W received more than enough income into her bank account to be able to afford the loan. And it only lent to Ms W when it was satisfied that her income was sufficient to cover the cost of the loan, plus all of her existing commitments, and still leave her with some money remaining to cover additional expenses that might crop up while she was paying this loan.

When Ms W took out her first loan I think Satsuma was entitled to rely on the information Ms W provided. This suggested that she was well able to afford this borrowing. Satsuma recorded a figure for her monthly income that was around £3,900 and even allowing for all the regular expenses Ms W had mentioned, this still left her an ample amount to spend on the loan repayments she'd signed up to make.

To give Ms W a safety margin in terms of her borrowing, Satsuma assumed she could have less disposable income than she'd said. But even on the adjusted figures that Satsuma worked on, the repayments on loan 1 should've been comfortably affordable for her.

As this was the first loan that Ms W had successfully applied for from Satsuma, she didn't have any track record with the lender that might've alerted Satsuma to any underlying money problems. I've taken carefully into account that Ms W feels strongly that Satsuma didn't do enough when checking her finances. But I can't see that there was anything in the information she provided, or the information Satsuma had gathered about her financial situation, which meant that Satsuma should've taken steps to enquire further into her finances or do more to check the information Ms W had declared.

So I don't uphold Ms W's complaint about loan 1.

loan 2

Two months or so after starting loan 1, and whilst she still expected to be paying that loan for quite some time, Ms W applied for her second loan. This was for the same amount again as she'd borrowed when she took out loan 1. And this time she asked for twice as long to pay the loan back – possibly to keep down the cost of each of the repayments she had to make on a weekly/monthly basis.

Satsuma expected Ms W would be paying for this loan over the course of a year or so. Given all of these things, I think this should've prompted Satsuma to think carefully about whether it had a good enough understanding of Ms W's financial circumstances so it could

make a fair lending decision. And in these circumstances, I think it should've gone further in the checks it did before agreeing to lend loan 2.

But I've seen nothing, and haven't been provided with any information, to suggest that further checks to verify what Ms W was saying would've shown that loan 2 wasn't sustainably affordable for Ms W.

I can also see that, on top of the amount Ms W declared for her outgoing monthly financial commitments, and what she was paying for other loans, Satsuma boosted these figures by an amount that doesn't seem unreasonable to me to cover all her other credit commitments. And Satsuma took this into account when looking at affordability overall.

Taking all this into account, it looks to me like the monthly repayments Ms W had to make on loan 2 should've still been affordable for her – even on top of paying loan 1.

Having had the benefit of seeing some bank statements Ms W has sent us, I think it's fair to say that I haven't seen anything which shows Satsuma should have decided not to agree this loan, had it seen all this information.

And I can't see that Ms W gave Satsuma any indication that her finances were causing her serious money problems during her application for loan 2.

I'm very sorry that Ms W found repaying the loans difficult. And I accept that in reality her financial situation possibly wasn't fully reflected either in the information she provided, or the other information Satsuma obtained.

But in order to uphold this complaint I have to be able to say that Ms W lost out as a result of something that Satsuma did wrong. And I don't think that's the case. I say this because even if Satsuma had done proportionate checks, I haven't seen enough to show that it should've realised that loan 2 was likely to be unsustainable for her.

So overall, I don't uphold Ms W's complaint about loan 2.

I am sorry to disappoint Ms W. But I hope my explanations help explain why I've reached my decision.

My final decision

For the reasons I've given, I've decided not to uphold Ms W's complaint.

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

Susan Webb
Ombudsman