

The complaint

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

What happened

This complaint is about five instalment loans Satsuma provided to Mr D between July 2018 and January 2019. A summary of Mr D's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	20/07/2018	15/09/2018	52	£500.00	£95.65
2	05/09/2018	15/09/2018	52	£700.00	£229.60
3	17/09/2018	12/11/2018	12	£1,000.00	£166.00
4	28/11/2018	21/12/2019	52	£700.00	£133.95
5	06/01/2019	Outstanding	52	£700.00	£267.90

Mr D'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 D 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 D.

Mr D disagreed and asked for an Ombudsman's decision. So, the complaint 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 D 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 D's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Mr D about his employment status and he confirmed he was employed and had a monthly income of around £2,166. Satsuma also checked Mr D's normal monthly living costs. Mr D declared these to be between £1,030 and £1,556 a month. Satsuma says it also searched Mr D'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 loans were taken out. So, there wasn't anything in the information Mr D provided that ought to have prompted Satsuma to increase its checks before it lent to Mr D.

Mr D borrowed all the loans within a six-month period. So, he 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 D 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 D gave it.

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 loans 1 to 4 went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

By loan 5 was Mr D's fifth loan in less than six months, so I think Satsuma should have been looking to build a clearer picture than it did about Mr D's finances before lending this loan. Such as checking his bank statements or verifying his payslips and/or bills. But in saying this, Mr D hasn't provided this service with any information about his financial position at the time, such as bank statements or a credit file. So, without further information I can only conclude that whilst the checks Satsuma carried out didn't go far enough, I can't say an error has been made. I say this because, I don't know whether it would have thought this loan was affordable to Mr D. Therefore, I can't say Satsuma was wrong to have provided this loan.

The information Mr D declared to Satsuma at the time of the loans may not have been an accurate reflection of his financial circumstances, but I think Satsuma was entitled to rely on that information. At this stage of the lending relationship, and what Satsuma knew about Mr D, I wouldn't have expected Satsuma to verify the information Mr D gave it. This therefore means, I can't say that Satsuma has done something wrong in lending Mr D these loans.

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

My final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 October 2020.

Claire Marchant-Williams
Ombudsman