

The complaint

Miss B says Provident Personal Credit Limited – trading as Satsuma – irresponsibly lent to her.

What happened

This complaint is about one instalment loan Satsuma provided to Miss B in October 2018. The loan was for £900 and was repaid over 12 monthly instalments of around £150. The loan is currently outstanding.

Miss B took a second loan in December 2018, but this loan was cancelled, and Miss B didn't make any repayments towards it.

Our adjudicator didn't uphold Miss B's complaint and thought Satsuma's checks for the loans went far enough. Miss B disagreed 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 Miss B 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 Miss B's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Miss B disagreed with the adjudicator's view because she thought Satsuma's checks didn't go far enough and it should have been aware that she was struggling financially and had other debts. So, it shouldn't have lent to her.

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Miss B about her employment status and she confirmed she was employed and had a monthly income of £900. Satsuma also checked Miss B's normal monthly living costs which amounted to £540 per month. Satsuma says it also searched Miss B'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, there wasn't anything that ought to have prompted Satsuma to ask for further information or do more checks.

As this was the first loan Miss B had borrowed from Satsuma, she was very early on in her lending relationship with it. And even though she had to make monthly repayments, the highest repayment would have appeared affordable based on the information she declared to Satsuma. And there wasn't anything in the information Miss B 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 Miss B 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 the loan went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

The information Miss B declared to Satsuma at the time of the loan may not have been an accurate reflection of her 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 Miss B, I wouldn't have expected Satsuma to verify the information Miss B gave it. This therefore means, I can't say that Satsuma have done something wrong in lending Miss B these loans.

I appreciate that my findings are likely to disappoint Miss B, and I've thought carefully about everything she's told us – including what she has said about taking out a second loan. But looking at the details of this loan, she didn't make any payments towards it as it was cancelled immediately after it was taken out, so it doesn't change my decision. Overall, I hope my explanation will help Miss B understand why I've reached this conclusion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 October 2020.

Claire Marchant-Williams
Ombudsman