

The complaint

Miss S says Provident Personal Credit Limited trading as Satsuma lent to her irresponsibly. She says that Satsuma didn't make sure she could afford the loan repayments. This has negatively affected her financial situation and her physical and mental health.

What happened

This complaint is about three instalment loans Satsuma provided to Miss S between July and November 2018.

Loan	Date Taken	Instalments	Amount	Date Repaid
1	22/07/2018	12	£800	08/10/2018
2	06/09/2018	12	£500	08/10/2018
3	28/11/2018	12	£2,000	outstanding

Our adjudicator didn't uphold the complaint.

Miss S disagreed with the adjudicator's opinion. She said that if Satsuma had looked at her credit history it would've seen that she couldn't sustainably afford the loan repayments.

Because 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 Miss S 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 Miss S' complaint. I've decided not to uphold Miss S' complaint and I've explained why below.

I've seen a record of the information Miss S provided when she completed her loan application. This showed that Miss S had a monthly income of £1,800 and she had regular monthly outgoings of £700. After looking at her credit file Satsuma added around £350 of further credit expenditure. But even with this further expenditure I think it's reasonable to say that the loan repayments would've seemed affordable to Satsuma.

I haven't seen any further information that shows its likely Satsuma was made aware of any financial problems Miss S might've been having. Or anything that would've prompted it to investigate her circumstances further. 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 at the start of the lending relationship were proportionate.

Miss S took loan 2 a relatively short time after loan 1. And loan 1 was still running when she did this. Again, a short time later, she repaid loans 1 and 2 and took loan 3. But loan 3 was for a much higher amount.

These increases in indebtedness makes me think Satsuma could've realised at that time that Miss S may have some longer term financial problems rather than just using the loans to help with a temporary cash flow problem. Satsuma should've also become concerned about whether it knew enough about Miss S' true financial situation.

Looking at the checks it did I don't think Satsuma did enough to find out whether Miss S could sustainably afford the repayments to the later loans. Particularly the much larger loan 3, which was a commitment to make significantly increased repayments for 12 months.

But Miss S hasn't been able to provide any further information that would allow me to say with any degree of certainty what Satsuma would've seen if it had made further checks. Because of this I can't say that the loans would've seemed unaffordable to Satsuma if it had looked further into Miss S' circumstances. So I can't say that it was unreasonable to approve loans 2 and 3.

My final decision

For the reasons set out above, I don't uphold Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 12 October 2020.

Andy Burlinson

Ombudsman