

## The complaint

Miss L complained about a number of loans she took out through a company called Provident Personal Credit Limited, trading at the time as Satsuma Loans. Miss L says she was lent to irresponsibly and the loans caused her financial problems.

To keep things simple, I'll refer mainly to "Satsuma" throughout this decision.

## What happened

We now know that Miss L took out 3 loans from Satsuma between May 2018 and March 2019. I enclosed a summary of her borrowing, based on the information provided to us:

Loan	Amount	Taken Out	Repaid	Type of Loan	Highest Monthly Repayment
1	£800	02/05/2018	29/09/2018	Instalment	£253
2	£1,000	14/03/2019	Outstanding	Instalment	£316

One of our adjudicators looked into the complaint and said they didn't think it should be upheld. I've been asked to make an ombudsman's 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. I've followed this approach when thinking about Miss L's complaint.

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 that Miss L could repay the loans she was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Satsuma should have fairly and reasonably 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).

Satsuma told us it carried out certain affordability and credit checks before agreeing to lend to Miss L and took account of what she herself said her income and expenditure was. I think the checks which Satsuma most likely carried out would have been quite basic ones. Overall, they would have revealed some, but certainly not all, of her overall financial profile.

However, bearing in mind what I've said above, about the length of the lending relationship, I think these checks would have been proportionate for the two loans in question. Satsuma says that based on what was revealed by its checking procedure, the information showed that Miss L would be able to make the loan repayments she was committing to on each occasion. I also note that Miss L declared her income in each case to be £1,875 and £2,600 respectively and given what she'd also said about her outgoings, I think Satsuma would have concluded that, on the whole, both the loans were sustainable for her.

I've looked very carefully over everything Miss L has said in response to our adjudicator's view that neither loan complaint should be upheld. She implies, in particular, that for loan number 2, Satsuma already had information that shows her outgoings exceeded what she was earning. However, I'm afraid this isn't what Miss L set out on her application when she applied and I think Satsuma - it being early in its lending relationship with Miss L - was entitled to factor in what she'd said about her financial situation.

I'm very sorry to disappoint Miss L. I accept it's possible she may already have been experiencing financial problems elsewhere, but in short, I think the checks carried out in this case were proportionate and Satsuma was entitled to rely on what it found, together with what it had been told by Miss L herself.

I'm afraid there isn't enough evidence to uphold this complaint.

### **My final decision**

For the reasons set out above, I don't uphold this complaint in respect of either loan. I don't direct Provident Personal Credit Limited to pay Miss L any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 17 November 2020.

Michael Campbell  
**Ombudsman**