DRN-2251369

Financial Ombudsman Service

The complaint

Mr S has complained about a number of loans he took out through a company called Provident Personal Credit Limited, trading at the time as "Satsuma".

He says Satsuma lent to him irresponsibly because the loans he was provided with caused him financial problems.

What happened

We now know that Mr S took 2 loans from Satsuma; in April and June 2018. I've enclosed a summary of Mr S's borrowing with Satsuma, based on the information provided to us:

Loan Sequence	Amount	Instalments	Maximum Combined Monthly Premium	Repaid
1. 07/04/2018	£800	12	£133	Outstanding
2. 30/06/2018	£500	9	£244	Outstanding

One of our adjudicators has already looked into the complaint and told Mr S that they didn't think it should be upheld. Mr S didn't agree and asked for 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 Mr S'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 Mr S could repay both the loans he 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).

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 these things and what they mean for Mr S's complaint.

Satsuma told us it carried out certain checks before agreeing to lend to Mr S, including assessing his income, expenditure and net disposable income. It says that based on what was said, this information showed that Mr S would be able to make the loan repayments he was committing to on both occasions.

Mr S declared his net income (after tax) as £4,200 per month and he also provided details about his expenditure. I think it's fair to say that from a starting point, this income level would appear to be supportive of the borrowing Mr S was seeking. And so, I think for the first loan, considering what he'd also said about his outgoings, Satsuma would have concluded the lending was sustainable.

Given what I've said above, about the length of the lending relationship, I also think it was reasonable in this case for Satsuma to have relied on what it had been told by Mr S himself together with searching through some of Mr S's financial profile, but certainly not all of it.

I think that what was revealed by relying on these methods supported the view that the lending was sustainable for loan 1. So, whilst I accept what Mr S says about his wider financial situation of that time being very challenging, I don't think Satsuma would have exposed this fully in the financial checks it carried out or in the information Mr S himself disclosed. I therefore don't uphold the complaint about loan number 1.

For the second loan, I note that this was advanced only a short time after the first and that his initial loan was still part-outstanding. But I go back to the level of income Mr S said he had and his disclosures about his outgoings. As would be expected, this further loan caused further demands on his finances, but it was for a more moderate amount and the term length was decreased to fall broadly in-line with the first loan. So his overall indebtedness to Satsuma wasn't lengthening and the outgoings still looked affordable for him. I also return to the early relationship point, this being only the second loan.

As I say, I do accept that it's possible that a deeper examination of Mr S financial profile could have revealed a reason not to lend. But I don't think that by loan 2 the situation had reached that stage. Satsuma was justified, in my view, on relying on Mr S's disclosures and financial checks at the more basic end of the spectrum. None of the bullet points I've set out above apply to his situation and so I don't uphold this part of the complaint either.

Mr S has raised some important issues about his health which I've considered sympathetically, and I understand the point being made. However, I don't think Satsuma was aware of these issues at the time of either loan; had the lending increased over more time, I can see such issues might have become more prominent. Nor do I think that Mr S having been paid out on mis-sold short-term loans by other entities is relevant to *this* case.

I'm very sorry to disappoint him.

My final decision

For the reasons set out above, I don't uphold this complaint. And I don't direct Provident Personal Credit Limited to pay Mr S any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 December 2020.

Michael Campbell
Ombudsman