

## The complaint

Miss W says Provident Personal Credit Limited trading as Satsuma lent to her irresponsibly. She says that Satsuma did not carry out the relevant checks before lending. The loans adversely affected both her financial situation and her mental health.

## What happened

This complaint is about two instalment loans Satsuma provided to Miss W between April and November 2018. Some of the information I have been provided about the lending is in the table below:

loan	date taken	instalments	amount	date repaid
1	13/04/2018	6	£500	21/06/2018
2	01/11/2018	12	£500	Outstanding

Our adjudicator didn't uphold the complaint. Miss W disagreed with the adjudicator's opinion. She said she would like to take the complaint further.

As 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 irresponsible 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 W 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've decided not to uphold Miss W's complaint and I've explained why below.

### **Why I think Satsuma's checks were proportionate for both of these loans**

I've seen a record of the information Miss W provided when she completed her loan application. Miss W said she had a monthly income of £1,200 and she had regular monthly outgoings of around £800 for loan one and £600 for loan 2. So, the monthly repayments of around £150 for loan 1 and £80 for loan 2 would've seemed affordable to Satsuma.

I haven't seen any further information that shows it's likely Satsuma was made aware of any financial problems Miss W might've been having. Or anything that would've prompted it to investigate her circumstances further. I can see the information it received from a credit reference agency didn't show that Miss W had significant financial problems.

Miss W has said she wasn't in good shape financially and she had some other problems as well. But given that Satsuma approved only two loans I don't think it would have been reasonable for it to have looked much further into Miss W's circumstances than it did. So, it wouldn't have considered these aspects of her circumstances, as they weren't apparent in the information it had. 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 for these loans were proportionate. And I think its decisions to approve these two loans were reasonable. I'm not upholding Miss W's complaint about them.

I appreciate Miss W may feel strongly about this and I hope my decision does not cause her any distress. I also hope my explanation is helpful.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 1 December 2020.

Andy Burlinson  
**Ombudsman**