

The complaint

Ms M says Provident Personal Credit Limited - trading as Satsuma - irresponsibly lent to her.

What happened

This complaint is about two instalment loans Satsuma provided to Ms M between September 2018 and July 2019. A summary of Ms M's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	25/09/2018	31/12/2018	6	£100.00	£31.60
Break in lending					
2	16/07/2019	outstanding	12	£2,000	£332.00

Ms M's complaint was reviewed by one of our adjudicators and they didn't think it should be upheld. They thought there wasn't anything in the information Satsuma had asked Ms M to provide that should have prompted Satsuma to do more checks. So, the adjudicator couldn't say Satsuma was wrong to have given the loans to Ms M.

Ms M disagreed with the adjudicator's findings. She said she felt Satsuma should have done better checks given the increase in the amount she was borrowing and that she had a very poor credit rating. As the complaint couldn't be resolved informally, it 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 Ms M 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 Ms M's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Ms M 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 had a poor credit rating and, it shouldn't have lent to her.

There was a gap of about seven months between Ms M repaying loan 1 and borrowing again at loan 2. I think it was reasonable of Satsuma to view this gap as an indication that Ms M's finances had stabilised after whatever the circumstances were that had caused her to take out her previous loan. A break in the chain of lending, in effect, starts the 'clock ticking' again on what we would consider to be proportionate checks a business should carry out when considering the length of the borrowing relationship with the consumer.

So, Ms M was very early on in her lending relationship with Satsuma for both loans. 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 Ms M 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 Ms M told it.

Satsuma has told this service about the checks it carried out before approving any of the borrowing. It has said it asked Ms M about her employment status and she confirmed she was employed and had a monthly income of between £1,517 and £1,800. Satsuma also checked Ms M's normal monthly living costs. Ms M declared these to be between £573 and £750 a month. Satsuma says it also searched Ms M'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 loans were taken out. So, I don't think there was anything that ought to have prompted Satsuma to do further checks or not to provide the loans to Ms M.

Ms M has provided us with a copy of her credit report she obtained, and I see that does show she had some defaults and late payments. But this may not have been the same information that Satsuma saw on its own credit report as they can differ. And even if Satsuma had seen some poor credit history, that doesn't necessarily mean it would conclude that it shouldn't have lent to Ms M bearing in mind the nature of this type of non-mainstream short-term lending.

The information Ms M declared to Satsuma at the time of the loans 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 Ms M, I wouldn't have expected Satsuma to verify the information Ms M gave it. This therefore means, I can't say that Satsuma has done something wrong in lending Ms M these loans.

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 loans

went far enough and I wouldn't have expected it at this stage to undertake any more in-depth checks.

I appreciate that my findings are likely to disappoint Ms M, but I hope my explanation will help her understand why I've reached this conclusion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 1 January 2021.

Claire Marchant-Williams
Ombudsman