

The complaint

Mr G says Provident Personal Credit Limited trading as Satsuma Loans lent to him irresponsibly. He says he had very little money to spare and so he couldn't afford the repayments to the loans. He also said his credit file showed he had numerous defaults, bad credit markers and other lending. He thinks Satsuma should have seen all this and not lent to him.

What happened

This complaint is about three instalment loans Satsuma provided to Mr G between July 2017 and July 2018.

loan number	date started	amount borrowed	term (months)	monthly payments	date ended
1	16/07/2017	£100	6	£31.60	10/10/2017
2	08/09/2017	£550	6	£91.30	29/09/2017
3	24/07/2018	£350	12	£58.10	outstanding

Our adjudicator didn't uphold the complaint. Mr G partly disagreed with the adjudicator's opinion. He said that:

- he agreed that loans 1 and 2 shouldn't be upheld
- he said that he had significant other short term and high cost credit at the time of loan 3. He said the repayments he was scheduled to make to all of these were higher than his income.

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 Mr G 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.

Having thought about all of this I've decided not to uphold Mr G's complaint. I've explained why below.

Mr G didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So, I won't be making a decision about this lending and I'm only looking at loan 3. But they were part of the borrowing relationship Mr G had with Satsuma and so they are something I will take into account when considering the other loan he took.

As is shown in the loan table above Mr G took two loans in late 2017 and paid these off relatively quickly. And whilst I can see that Mr G was declined for a loan in March 2018 there was a break of over eight months before loan 3 was approved. I think this was a long enough break in lending for Satsuma to have effectively treated Mr G as a new customer. So, the checks it made before approving loan 3 would be proportionate considering this was the first loan in a second chain of borrowing.

Loan 3 was for £350 and Mr G due to repay just over £60 a month over 12 months. I've seen a record of the information Mr G provided when he completed his loan application. Mr G said he had a monthly income of £1,700 and he had regular monthly outgoings of £500. So, it would have been reasonable for Satsuma to initially think that Mr G could afford the repayments.

Satsuma added just under £900 to the amount it said that Mr G was repaying to other loan providers (rather than the £100 he declared). But it still thought that that Mr G would be able to make the loan repayments as he would be left with disposable income of around £400. Again this, on the face of it, was not unreasonable given what Mr G had told it.

Mr G has provided full information about the other debt he had at the time. It is mainly longer-term high cost credit and instalment loans. There are a few short-term loans. But much of it was taken at around the same time, or just before, loan 3. It would be unlikely to have all appeared on the credit searches that Satsuma did. So I don't think it's reasonable to say that Satsuma should have taken into account all of this debt.

I haven't seen any further information that shows its likely Satsuma was made aware of any financial problems Mr G might've been having. Or anything that would've prompted it to investigate his circumstances further. So I think it was reasonable for Satsuma to rely on the information it obtained when the loan was started.

And I think that Satsuma got a reasonable picture of Mr G's finances at the time, given that this was his first loan after a long break and the checks Satsuma needed to do could've been less rigorous because of this.

So overall, in these circumstances, I think the assessment Satsuma did for loan 3 was proportionate. And I think its decision to approve this loan was reasonable. I'm not upholding Mr G's complaint about it.

My final decision

For the reasons set out above, I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 December 2020.

Andy Burlinson
Ombudsman