

The complaint

Mr D says Provident Personal Credit Limited trading as Satsuma Loans lent to him irresponsibly. He said if proper checks had been made before lending then Satsuma wouldn't have approved the loans as he had a significant amount of other payday lending at the time. The Satsuma loans caused him financial difficulty.

What happened

This complaint is about three instalment loans Satsuma provided to Mr D between February and August 2017.

loan	date taken	amount	monthly instalments	date repaid
1	01/02/2017	£300	6	03/05/2017
2	03/05/2017	£1,000	12	outstanding
3	02/08/2017	£300	12	01/11/2017

Our adjudicator didn't uphold the complaint. Mr D disagreed with the adjudicator's opinion. He said that Satsuma would have had enough information to say it shouldn't have approved the loans. And so it shouldn't have lent to him.

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 D 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.

For loan 1 Mr D needed to repay just under £100 a month for the following six months. Over the next two loans the amount he would repay each month approximately doubled.

I've seen a record of the information Mr D provided when he completed his loan applications. Mr D said he had a monthly income of £1,800 and he had regular monthly outgoings of £1,200 (on average). So it was reasonable for Satsuma to have thought that Mr D could afford the repayments to the loans.

I haven't seen any further information that shows its likely Satsuma was made aware of any financial problems Mr D might've been having. So there isn't anything that would've prompted Satsuma to investigate his circumstances further. I think it was reasonable for Satsuma to rely on the information it obtained in the early part of the lending relationship.

I agree that by loan 2, given the large increase in the amount Mr D borrowed and that loan 1 was still outstanding when it was started, Satsuma should have been doing more to make sure that Mr D could repay any further lending sustainably.

But the information both Mr D and Satsuma have provided doesn't show he had significant amounts of other short term lending, or other financial problems. So it still would've been reasonable to for Satsuma to think Mr D could afford the loan repayments if it had made further checks.

So overall, in these circumstances, I think Satsuma's decisions to lend for loans 1 to 3 were reasonable and I'm not upholding Mr D's complaint about them.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 January 2021.

Andy Burlinson
Ombudsman