

The complaint

Mr W complains that the loans provided to him by Provident Personal Credit Limited trading as Satsuma Loans (Satsuma) weren't affordable.

What happened

Mr W took out three loans with Satsuma in 2019. He says the loans were unaffordable.

Loan	Date	Amount
1	Feb-19	£250
2	Jun-19	£400
3	Aug-19	£1,360

Satsuma says that before the loans were provided it carried out a series of checks to ensure it was responsible to lend to Mr W and that he could afford the loan repayments. It says it gathered information about Mr W's income and expenses and that based on this the loans were affordable.

Our adjudicator didn't uphold this complaint. She said that given the loans taken out by Mr W, and the information provided at the time, it wouldn't have been proportionate to say that Satsuma was required to carry out further verification checks.

Mr W didn't accept our adjudicator's view. He reiterated that he couldn't afford the loan repayments. He said if Satsuma had carried out adequate affordability checks such as asking for copies of his pay slips and bank statements it would have been clear that the loans were unaffordable.

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.

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 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

Mr W took out three loans with Satsuma. As set out above, in the early stages of the lending relationship it isn't unreasonable to accept that less thorough checks may be proportionate. Before the loans were provided information was gathered on Mr W's income and expenses. His monthly income was recorded as £2,175 for the first two loans and £2,500 for the third loan. Given the size of the repayments due under the loans compared to Mr W's monthly income I find that the checks carried out before the loans were provided were proportionate.

Mr W has provided copies of some bank statements from around the time of the loans. These suggest a monthly income of around £2,000 and this appears to increase in September. This is around the amount given for the first two loans. In this case I don't find that the income information received by Satsuma should have raised concerns that meant further verification was needed. Therefore, I find it reasonable that it relied on the income figure provided.

Mr W provided information about his expenses. This information didn't include any amount for '*financial commitments*' and had a low amount recorded for '*other expenditure*'. However, Satsuma has shown that it increased the expenses amount to reflect the information it had found through its credit searches and by referring to other external data sources. Therefore, the affordability assessments included higher expenses figures. I find this approach reasonable. At this stage in the lending relationship I wouldn't expect any further verification to take place.

The first loan was for £250 with monthly repayments of around £80. Based on Mr W's declared income and the increased expenses amount, these repayments appeared affordable.

Mr W took out the second loan before repaying the first. As this was only the second loan I think it was too early to suggest that Satsuma should have carried out further checks at this time. I have considered the total amount of repayments due under the loans and as these appeared affordable I do not find that I can say this loan shouldn't have been provided.

Mr W repaid his first two loans and took out a third. The third loan was for a larger amount. It was repayable over 52 weeks with weekly repayment of around £52. Again, based on the information gathered the loan appeared affordable.

I note Mr W's comments about further verification of his income and expenses. However, in this case I think it was reasonable that Satsuma relied on the combination of information from Mr W and the information it received from external sources. I do not find in this case that the information gathered raised concerns that meant Satsuma should have undertaken further investigation such as requesting Mr W's bank statements.

As I find the checks undertaken were proportionate, and this suggested the loan repayments were affordable, I do not find that I have enough evidence to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 February 2021.

Jane Archer
Ombudsman

