

## The complaint

Ms W complained about a number of loans she took out through a company called Provident Personal Credit Limited, trading at the time as “Satsuma”.

She says Satsuma lent to her irresponsibly because the loans she was provided with caused her financial problems.

## What happened

We now know that Ms W took 2 loans from Satsuma; in February and August 2019. I’ve enclosed a summary of Ms W’s borrowing with Satsuma, based on the information provided to us:

Loan	Date Taken Out	Date Repaid	Type of Loan	Amount	Highest Repayment
1	10/02/2019	02/09/2019	Instalment	£200	£63
2	23/08/2019	Outstanding	Instalment	£300	£184

One of our adjudicators has already looked into the complaint and told Ms W that they didn’t think it should be upheld. Ms W didn’t agree and asked for an ombudsman’s final decision.

## 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. I’ve followed this approach when thinking about Ms W’s complaint.

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 Ms W could repay both the loans she was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Satsuma should have fairly and reasonably 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).

Satsuma told us it carried out certain checks before agreeing to lend to Ms W, including assessing her income and expenditure. It says that based on what was said, this information showed that Ms W would be able to make the loan repayments she was committing to on both occasions.

Ms W declared her net income (after tax) as £3,200 per month and she also provided details about her expenditure. I think it's fair to say that from a starting point, this income level would appear to be supportive of the relative moderate borrowing Ms W was seeking. And so, I think the first loan, considering what she'd also said about her outgoings, Satsuma would have concluded the lending was sustainable.

Given what I've said above, about the length of the lending relationship, I also think it was reasonable in this case for Satsuma to have relied on what it had been told by Ms W herself together with searching through some of Ms W's financial profile, but necessarily not all of it during the early stages.

I think that what was revealed by relying on these methods supported the view that the lending was sustainable for loan 1. So, whilst I accept what Ms W says about her wider financial situation of that time being challenging, I don't think Satsuma would have exposed this fully in the financial checks it carried out or in the information Ms W herself disclosed. I therefore don't uphold the complaint about loan number 1.

For the second loan, I note that this was advanced just before the first one was ending. But I go back to the level of income Ms W said she had and her disclosures about her outgoings. As would be expected, this further loan might initially have caused further demands on her finances, but only for a short time. Like loan 1, it was for a moderate amount and still only the second loan.

I do accept that it's possible that a deeper examination of Ms W's financial profile could have revealed a reason not to lend. But I don't think that by loan 2 the situation had reached that stage. Satsuma was justified, in my view, on relying on Ms W's disclosures and financial checks at the more basic end of the spectrum. None of the bullet points I've set out above therefore apply to her situation and so I don't uphold this part of the complaint either.

I'm very sorry to disappoint her.

### **My final decision**

For the reasons set out above, I do not uphold this complaint.

I do not direct Provident Personal Credit Limited to pay Ms W any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 26 February 2021.

Michael Campbell  
**Ombudsman**