

## complaint

Miss G complains about the short term loans she took out with Provident Personal Credit Limited trading as Satsuma. Miss G says that Satsuma has lent to her irresponsibly. She says she had serious financial problems and she was borrowing repeatedly from Satsuma and other lenders. She says her lending patterns should've caused Satsuma to realise this and not lend to her.

## background

Miss G took out six instalment loans between November 2013 and May 2016. Some of the information Satsuma has given us is shown in the table below:

Loan number	date started	amount borrowed	term	date ended	payments
1	09/11/2013	£130.00	13 weeks	20/12/2013	£14.00 weekly
2	23/12/2013	£300.00	26 weeks*	27/12/2013	£19.38 weekly
3	27/05/2015	£300.00	6 months	02/06/2015	£85.00 monthly
4	02/06/2015	£230.00	13 weeks	04/06/2015	£24.77 weekly
5	06/06/2015	£280.00	13 weeks	19/11/2015	£30.15 weekly
6	30/05/2016	£300.00	17 weeks	outstanding	£27.62 weekly

\*Satsuma says that loan 2 had a term of one week. But looking at the weekly repayments and the total amount due to be repaid I think it's more likely it had a term of 26 weeks.

Satsuma has looked at Miss G's complaint and said that it shouldn't be upheld. It said that it did appropriate checks for loans 1 to 6. And these checks showed that the lending was affordable.

One of our adjudicators looked at what Miss G and Satsuma said. She thought that Satsuma had made proportionate checks for loans 1 to 6. So she thought that Satsuma's decisions to lend were reasonable. She thought Miss G's complaint shouldn't be upheld.

Miss G didn't agree with our adjudicator. She said that she ended up struggling after borrowing from Satsuma in 2013. But it lent to her again in 2015 and 2016. So as no agreement's been reached the complaint's been passed to me to me to issue a decision.

## my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered. Having done so, I've decided not to uphold Miss G's complaint. I'll explain why.

Before lending money to a consumer a lender should take proportionate steps to understand whether they will be able to repay what they're borrowing in a sustainable manner. A lender should gather enough information for it to be able to make an informed decision on the lending. The lending shouldn't adversely impact a consumer's financial situation.

The guidance and rules themselves didn't set out compulsory checks. But they are clear that any checks needed to be proportionate and could take into account a number of different things. This could include how much was being lent, the size of the repayments and what the lender found out about the consumer.

So I've firstly looked at whether Satsuma performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for it to lend. But if Satsuma didn't do proportionate checks I've looked at whether it would've been apparent to it that the loan repayments were affordable had it done better checks. Satsuma should put things right if it's likely to have then found that the loan repayments were unaffordable.

Satsuma says it:

- found out what Miss G's income and expenditure was before it lent each time. It says this showed that Miss G had a disposable income of between around £700 and £1,000 each time it lent; and
- it performed checks with credit reference agencies to ensure the information it had gathered was accurate; and
- it adjusted the amounts Miss G had declared to take into account the information it received from the credit reference agency. It adjusted Miss G's disposable income to between £350 to £550 for loans 3 to 6

And based on what it saw it thought it reasonable to lend to Miss G.

### **why I think Satsuma's checks were proportionate**

For loan 1 Miss G needed to repay £14 a week for around 3 months. She repaid this loan in full in just over six weeks. She took out loan 2 straight after this and was due to repay just under £20 a week for 26 weeks. This loan was repaid in just under a week.

I've seen a record of the information Miss G provided when she completed her loan applications. Miss G said she had a monthly income of around £1,300 and she had regular monthly outgoings of £600. This left her with enough disposable income to repay these loans.

So whilst these were longer term commitments I think the repayments were relatively low compared to Miss G's disposable income. So I think Satsuma's checks were proportionate given the amount borrowed and the repayments in relation to what Miss G declared as her monthly disposable income. So I don't think Satsuma was wrong to approve loans 1 and 2.

There was a gap of around 6 months between loans 2 and 3. So it would be reasonable for Satsuma to think that Miss G's financial situation may have improved. Miss G took out three longer term loans in a relatively short time. She repaid the first two quickly and then took out loan 5. The amounts, scheduled repayments and the terms weren't very much different from loans 1 and 2.

So I again think the repayments weren't large compared to Miss G's disposable income. So I don't think further checks were needed before Satsuma approved loans 3, 4 and 5.

And lastly loan 6 was taken out over six months after loan 5 was repaid. So again it would be reasonable for Satsuma to think that Miss G's financial situation had improved. The payments and term weren't significantly different from earlier so it would also be reasonable for Satsuma to think they were affordable.

Miss G has said that she had some financial problems. She says that Satsuma should've found out about these and not lent to her. She mentions she was in a debt management plan in 2012, she defaulted on a credit card in 2013 and an arrangement to repay loan 5.

But Satsuma did take into account the information it reviewed on the credit file. And, it reduced Miss G's income to account for the other credit she had and any other issues it saw on the credit file. I also think the gaps in the lending mean it would be reasonable for Satsuma to think that Miss G was not reliant on short term lending.

And I haven't seen any further information that shows it's likely Satsuma was made aware of any further financial problems Miss G might've been having. Or anything that would've prompted it to investigate her circumstances further.

So I think Satsuma did enough here. And I think its decisions to lend for loans 1 to 6 were reasonable and I'm not upholding Miss G's complaint about them.

#### **my final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 21 February 2019.

Andy Burlinson  
**ombudsman**