

complaint

Miss C says Provident Personal Credit Limited (“trading as “Satsuma”) irresponsibly lent to her.

background

This complaint is about two loans that Satsuma provided to Miss C - here’s a table setting out details:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment
1	09/11/2018	23/11/2018	12	£100.00	£16.60
2	25/11/2018	13/03/2019	9	£900.00	£199.80

Our adjudicator didn’t uphold Miss C’s complaint and thought the loans weren’t unfairly provided.

Miss C disagreed. She mainly says that if Satsuma had carried out the appropriate credit checks it should have done, it would’ve clearly seen that she was struggling with debt and having to borrow more and more.

So the complaint comes to me to decide.

my findings

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 Miss C could repay the loan 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 Miss C’s complaint.

Before lending to Miss C, Satsuma asked Miss C for information about her financial situation, such as her monthly income and her outgoings, and it carried out credit checks.

I’ve looked at each loan in turn and thought about whether it was fair for Satsuma to lend to Miss C.

loan 1

When Miss C took out her first loan I think Satsuma was entitled to rely on the information Miss C provided. This suggested that she was well able to afford this borrowing as she’d said her monthly income was around £2,800 and her expenses were about half this amount.

To give Miss C a safety margin in terms of her borrowing Satsuma assumed she could have less disposable income than she'd said. And even on the adjusted figures that Satsuma worked on, the repayments on loan 1 should've been comfortably affordable for her.

Satsuma expected Miss C would be paying for this loan over twelve monthly repayments and I've thought carefully about whether it should in these circumstances have gone further in the checks it did. But bearing in mind that the monthly repayments were just £16.60, I don't think a proportionate check for this loan would've required Satsuma to ask her any more probing questions than it did or do any further checks.

At this early stage, Miss C didn't have any track record with the lender that should've alerted Satsuma to any underlying money problems, and I can't see that there was anything in the information she provided or the information Satsuma had, which meant that Satsuma should've taken steps to enquire further into her financial situation or verify the information Miss C had declared.

So I don't uphold Miss C's complaint about loan 1.

loan 2

Two days after Miss C repaid loan 1 early, Satsuma re-loaned to her - and provided her with nine times the amount she'd borrowed on loan 1.

Miss C says that this clearly suggested she was reliant on borrowing. She strongly believes that had Satsuma done the necessary checks it would've seen information showing the full extent of her other debt and realised that she was struggling with debt and having to borrow more and more.

I think the fact that Miss C was asking to borrow such a large loan so quickly after taking out and repaying loan 1 earlier in the month, especially as she planned to pay loan 2 over nine months, should've prompted Satsuma to think carefully about whether it had a good enough understanding of her financial circumstances so it could make a fair lending decision.

But I've seen nothing, and haven't been provided with any information, to suggest that further checks to verify what Miss C was saying would've shown that providing loan 2 to her was unfair.

I appreciate Miss C was paying for other debt elsewhere, including two other short term loans and two large loans taken out just a few months earlier with other lenders. I can also see that, on top of the amount Miss C declared for her outgoing monthly financial commitments, Satsuma boosted this figure by an amount that doesn't seem unreasonable to me to cover all her other credit commitments. And Satsuma took this into account when looking at affordability overall.

Taking all this into account, it looks to me like the monthly repayments she had to make on loan 2 should've still been affordable for her. Miss C had paid loan 1 early – so there wasn't anything in her borrowing history with Satsuma to lead it to think that she might be having serious money problems.

Having had the benefit of seeing Miss C's credit report, I think it's fair to say that I haven't seen anything which shows Satsuma should have decided not to agree this loan, had it seen all this information.

And I can't see that Miss C gave Satsuma any indication that her borrowing elsewhere was at the stage where it was causing her serious money problems during her application for loan 2.

I'm sorry that Miss C found repaying these loans difficult. And I accept that in reality her financial situation possibly wasn't fully reflected either in the information she provided, or the other information Satsuma obtained.

But in order to uphold this complaint I have to be able to say that Miss C lost out as a result of something that Satsuma did wrong. And I don't think that's the case. I say this because even if Satsuma had done proportionate checks, I haven't seen enough to show that it should've realised that loan 2 was likely to be unsustainable for her.

So overall, I don't find that Satsuma acted unfairly when it provided loan 2 to Miss C.

I am sorry to disappoint Miss C. But I hope my explanations help her understand why I've reached my decision.

my final decision

For the reasons I've given, I've decided not to uphold Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 3 March 2020.

Susan Webb
ombudsman