

## complaint

Mrs C complains that Provident Personal Credit Limited (trading as Satsuma) lent to her in an irresponsible manner.

## background

Mrs C took out a short term instalment loan from Satsuma on 2<sup>nd</sup> November 2017 for £300 to be repaid in 6 instalments of £94.80.

Mrs C's complaint has been assessed by one of our adjudicators. She sent a letter to both parties where she didn't uphold Mrs C's complaint. She concluded that Satsuma didn't need to carry out any further checks at the time it granted the loan to Mrs C and didn't do anything wrong.

Mrs C didn't agree with our adjudicator. She said Satsuma should have taken reasonable steps to determine her income and expenditure when it agreed to lend to her. She thinks it should have asked for bank statements and if it did, it would have seen that she couldn't afford the loan.

So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, 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 that Mrs 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 Mrs C'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 a 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.

Satsuma did a number of checks before it lent to Mrs C. It asked her for details of her income and her normal expenditure. It gathered data from credit reference agencies. And it then used this information to calculate how much disposable income Mrs C had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mrs C's financial situation at that time. I've taken all of this into account when considering if it needed to do more at the time it lent to Mrs C.

Mrs C approached Satsuma on 2<sup>nd</sup> November 2017 for her first short term instalment loan with it. The repayment that Mrs C had agreed to make on this loan was relatively modest compared to the disposable income that she'd declared to Satsuma. This was the first time Mrs C had approached it for a loan and from what I have seen, I don't think there was any reason for Satsuma to doubt the information Mrs C had provided about her income and expenditure.

I have also seen results from the credit checks that Satsuma carried out at the time. These checks failed to show any information that might have suggested Mrs C was having problems managing her money.

I acknowledge Mrs C's comments about her finances at the time the loan was granted and what she thinks Satsuma should have done when it agreed to lend to her. She says Satsuma should have found out more about her finances and her situation at the time. She says if it had, it would have shown she couldn't afford the loan. But that wasn't something she told Satsuma when she asked for the loan, nor do I think it is something Satsuma should have discovered from proportionate checks at this very early stage. I think it was reasonable here for Satsuma to rely on the information that Mrs C provided about her finances when assessing the affordability of the loan. I don't think it would be proportionate to expect Satsuma to have gone further and sought to independently verify what Mrs C had said for the reasons I have already given. And as the information Mrs C provided suggested that the loans were affordable for her I don't think that Satsuma did anything wrong when it agreed to lend.

In conclusion, I don't think Satsuma did anything wrong when it agreed to lend to Mrs C.

### **my final decision**

My final decision is that I do not uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 4 March 2020.

Mark Richardson  
**ombudsman**