

## complaint

Mr G complains that Provident Personal Credit Limited (trading as Satsuma) lent to him in an irresponsible manner.

## background

Mr G took one loan from Satsuma. He borrowed £1000 in August 2018 and agreed to repay the loan over the following twelve months. There is a balance on the loan that remains outstanding.

Mr G's complaint has been assessed by one of our adjudicators. He sent a letter to both parties where he didn't uphold Mr G's complaint. He concluded that Satsuma didn't need to carry out any further checks at the time it granted the loan to Mr G and didn't do anything wrong. Mr G didn't agree with our adjudicator and said his credit file would have shown that the loan was unaffordable and was at odds with the information he had given about his finances.

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 Mr G 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.

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 Mr G. It asked him for details of his income and his normal expenditure. It gathered data from credit reference agencies. And it then used this information to calculate how much disposable income Mr G had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mr G's financial situation at that time.

Mr G has told our service that he hadn't been honest about the figures he gave when applying for the loan and that Satsuma should have picked up on this. But this was the first time Mr G had approached Satsuma for a loan from what I have seen, I don't think there was any reason for Satsuma to doubt the information Mr G had provided about his income and expenditure.

In addition, I have seen results from the credit checks that Satsuma carried out at the time. These checks failed to show any information that might have suggested Mr G was having problems managing his money. The checks didn't show any concerning information such as a reliance on other short term loans, or delinquent or defaulted accounts.

In saying that, I think it is important to note that, generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain why Mr G says that he was having problems managing his money at the time the loan was granted but this was not reflected in the credit search information collated by Satsuma at the time.

The repayments that Mr G had agreed to make on his loan were relatively modest compared to the income that he'd declared to Satsuma. And based on what he had told Satsuma and the credit checks it carried out, the repayments appeared to be easily affordable. So given these repayment amounts, what was apparent about Mr G's circumstances at the time, and his lack of borrowing history with the lender, I don't think it would've been proportionate for Satsuma to ask him for the amount of information that would be needed to show the lending was unsustainable. So I don't think Satsuma was wrong to give this loan to Mr G.

### **my final decision**

My final decision is that I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 February 2020.

Emma Boothroyd  
**ombudsman**

