

## complaint

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

## background

Mrs M took two instalment loans from Satsuma between March 2018 and October 2018. Details of the 2 loans are as follows:

Loan	Date taken	Amount	Monthly instalments	Highest repayment	Date repaid
1	31/03/2018	£500	12	£111	outstanding
2	06/10/2018	£500	9	£83	outstanding

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

Mrs M didn't agree with our adjudicator. She said Satsuma should have seen that she had significant other debt repayments to repay at the time it granted these 2 loans to her (especially loan 2) and that it was irresponsible for it to do so.

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 M 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 M'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 M. 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 M had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mrs M's financial situation at that time.

Mrs M has told our service that she had significant other debt repayments to make at the time she had applied for her loans with Satsuma and that it should, as a responsible lender, been aware of this and through its credit checks decided not to give her the credit. Mrs M says for example that she had to repay an additional £1400 from other debt in the month she was given loan 2.

I have seen results from the credit checks that Satsuma carried out at the time in granted both loans. These checks failed to show any information that might have suggested Mrs M was having problems managing her money or that she had a significant amount of other credit commitments, at least not enough that I would have expected Satsuma to look into it further. The checks also didn't show any other concerning information such as a reliance on other short term loans, or delinquent or defaulted accounts. It did show one payment in arrears when it carried out checks for loan 2.

Mrs M says Satsuma should have picked up on the financial pressures she was under at the time, but a lender might only see a small portion of the consumer's credit file, or some data might be missing or anonymised, or the data might not be up to date. So, it may explain that even though Mrs M says that she was having problems managing her money at the time, this was not reflected in the credit search information collated by Satsuma at the time of each of the two loans.

Mrs M first approached Satsuma in February 2018 for her first instalment loan. The repayments that Mrs M had agreed to make on this loan were relatively modest compared to the income that she'd declared to Satsuma. This was the first time Mrs M 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 Mrs M had provided about her income and expenditure (even though Mrs M has provided information to us to show her disposable income was lower). She then took out a further loan around 6 months later before she repaid her first loan and this again was affordable based on what she had told them. I think it is fair and reasonable for Satsuma at this stage to consider Mrs M had not become reliant on its loans based on what she was telling it, its credit check data and her short lending history with it.

I acknowledge Mrs M's comments about her finances at the time the loans were granted, and that he had other financial commitments to repay. But that wasn't something she told Satsuma when she asked for the loans, nor do I think it is something Satsuma should have discovered from proportionate checks. I think it was reasonable here for Satsuma to rely on the information that Mrs M provided about her finances when assessing the affordability of the loans. I don't think it would be proportionate to expect Satsuma to have gone further and

sought to independently verify what Mrs M had said. And as the information Mrs M provided suggested that the loans were affordable for her I don't think that Satsuma did anything wrong when it agreed to lend.

I can see that Mrs M still has an outstanding balance to repay and I'd remind Satsuma about its responsibility to treat Mrs M positively and sympathetically.

**my final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 February 2020.

Mark Richardson  
**ombudsman**