

complaint

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

background

Mr S took three instalment loans from Satsuma between February 2017 and November 2017. Details of the 3 loans are as follows:

Loan	Date taken	Amount	Monthly instalments	Highest repayment	Date repaid
1	15/02/2017	£300	4	£120.90	05/06/2017
2	27/04/2017	£1000	12	£166.00	outstanding
3	13/11/2017	£1000	12	£166.00	outstanding

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

Mr S didn't agree with our adjudicator. He said Satsuma should have seen that he had many other loans to repay at the time it granted these 3 loans to him 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 Mr S 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 Mr S'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 S. 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 S had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mr S's financial situation at that time.

Mr S has told our service that he had taken out several other loans at the time he had applied for his loans with Satsuma and that it should, as a responsible lender, been aware of this and through its credit checks decided not to give him the credit.

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 S 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.

Mr S supplied a copy of his credit file that showed the amount of loans he had at the time Satsuma granted him the 3 loans in question, 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 Mr S says that he was having problems managing his money at the time, this was not reflected in the credit search information collated by Satsuma at the time of each of the three loans.

Mr S first approach Satsuma in February 2017 for his first instalment loan. The repayments that Mr S had agreed to make on this loan were relatively modest compared to the income that he'd declared to Satsuma. This was the first time Mr S 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 S had provided about his income and expenditure (even though Mr S has provided information to us to show his income was lower). He then took out a further loan around 2 months later before he repaid his first loan and this was affordable based on what he had told them as well. He then requested a third loan, after he had repaid loan 1. I think it is fair and reasonable for Satsuma at this stage to consider Mr S had not become reliant on its loans based on what he was telling it, its credit check data and his short lending history with it.

I acknowledge Mr S's comments about his finances at the time the loans were granted, and that he had other short term loans and financial commitments to repay. But that wasn't something he told Satsuma when he 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 Mr S provided about his 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 Mr S had said. And as the information Mr S provided suggested that the loans were affordable for him I don't think that Satsuma did anything wrong when it agreed to lend.

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

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 December 2019.

Mark Richardson
ombudsman