

## **complaint**

Miss M says Provident Personal Credit Limited, trading as Satsuma Loans, lent to her irresponsibly.

## **background**

Miss M had five short-term loans with Satsuma. Our adjudicator set out the details of the loans in his letter, which both parties have seen, so I won't reiterate all the details here.

Our adjudicator considered the complaint but did not recommend it be upheld. Miss M disagreed with the adjudicator, so the complaint has been passed 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. I've taken into account the law, good industry practice and any relevant regulations at the time.

Having considered everything, I'm not upholding Miss M's complaint. I appreciate this will come as a disappointment to her but I hope my explanation helps her understand why I reached this decision.

Satsuma needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure Miss M could repay the loans 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.

In addition to carrying out proportionate checks, I consider there may also come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

In Miss M's case, I don't think the pattern of lending was such that Satsuma ought to have realised from it alone that it would've been irresponsible to provide Miss M with any of the loans it approved.

Although I don't consider the pattern of lending alone to have been such that Satsuma shouldn't have lent, this doesn't mean Satsuma didn't need to look closely at Miss M's financial situation. So I've therefore primarily focused on whether Satsuma did enough to check whether each individual loan was affordable.

Having said this, I think it's unlikely the sort of further checks Satsuma could've carried would've suggested any of the loans were unaffordable. I say this because the actual checks Satsuma carried out – which were in part based on Miss M's declaration of her income and expenditure – suggested the loan repayments were well within what Miss M could afford. Miss M declared income of around £2,300 a month and expenditure of around £720-£1,520. These figures included declared housing costs of £500 a month. Satsuma did add 'buffers' and made amendments to increase Miss M's declared expenditure – but even after those amendments the loans still appeared to be affordable. So asking further questions about her financial commitments wouldn't, in my view, have likely revealed so much extra information that Satsuma would've realised the loans were unaffordable.

I've paid close attention to Miss M's credit file – particularly looking at the adverse information which was recorded during the time Satsuma lent to her. If Satsuma was aware of any financial difficulty as the result of credit checks, it's important that it should take this into account.

I can see that Miss M had some historic defaults. I don't think these indicate the loans were unaffordable. Historic defaults aren't unusual within the market for this type of product and don't automatically indicate a borrower is still in financial difficulty.

I can see that there was also adverse information which wasn't historic: Miss M had a current account in a payment arrangement and had a recent payment arrangement for another short-term loan. There was also a payment arrangement and then a default on another current account – although it seems that was satisfied in February 2016. There are some other pieces of adverse information in close proximity to the first loan.

I don't think the adverse information means it was automatically wrong to lend. Miss M's credit file suggests she was generally taking action to manage her previously defaulted accounts, not all of which still had outstanding balances when Miss M asked Satsuma for her first loan. It's arguable Satsuma could've done more to understand how much Miss M had to contribute towards the accounts which still had outstanding balances. But it added some significant 'buffer' amounts to her declared expenditure – and it seems unlikely Miss M would've been paying more than the amounts Satsuma added. It therefore seems unlikely to me that asking Miss M further questions about her expenditure would've led to a decision not to lend.

I note that Miss M was occasionally in contact with Satsuma and until after the final loan doesn't appear to have made it aware of her financial difficulty – in fact Miss M sent Satsuma an email in November 2015, reassuring it she was able to afford the loans and offering to provide proof. I can understand why, given what I know were her difficult circumstances, Miss M said this. And I'm not suggesting it would've been right for Satsuma to simply rely on anything Miss M said (and I'm also not saying it did this) without verifying it. But it does suggest it's unlikely Satsuma could've easily found out about Miss M's health or other problems.

So while I'm sorry to hear of Miss M's difficulties, I'm not upholding her complaint.

**my final decision**

I do not uphold this complaint against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 20 June 2019.

Matthew Bradford  
**ombudsman**