

complaint

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

background

Mr M took four instalment loans from Satsuma between October 2016 and February 2018. Details of the 4 loans are as follows:

Loan	Date taken	Amount	Total repaid	Instalments in weeks	Highest repayment	Date repaid
1	28/10/2016	500	£782.51	17	£46.06	06/02/2017
2	10/12/2016	1000	£1719.90	21	£81.90	28/03/2017
3	14/01/2018	800	£1375.92	21	£65.52	18/06/2018
4	24/02/2018	800	£1592.10	30	£53.07	18/06/2018

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

Mr M didn't agree with our adjudicator. He said his finances were under pressure at the time each loan was granted and that he had no disposable income with which to repay them. He also said he was repaying an Individual Voluntary Arrangement (IVA) at the time the first loan was given to him and so he shouldn't have been given it.

Our adjudicator asked for further information from Mr M about the IVA. Mr M then sent in a letter addressed to a family relation where a large repayment had been made and confirmation was made regarding this. Our adjudicator responded to Mr M about this and said that the letter was dated before the first loan and so didn't change his opinion that Satsuma didn't do anything wrong when it granted him the loans.

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

Mr M has told our service that his finances were under significant pressure at the time he applied for each of the loans with Satsuma and he also had an IVA that he had to repay. He says that Satsuma should have picked up on his circumstances at the time he granted each of the loans when it did its credit checks.

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 M 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. It also didn't show that he had an IVA either on each of the four checks it carried out. That said, from the letter supplied by Mr M and the date recorded on it, it may well be the IVA had been repaid by the time he applied for the first loan. This could explain why it didn't register on the data provided to Satsuma by the credit agency it was using at that time.

In any case, 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, this maybe the reason why Mr M's IVA didn't appear on the credit search results provided to Satsuma. It may also explain that even though Mr M 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 four loans.

Mr M first approach Satsuma in October 2016 for his first loan. The repayments that Mr M 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 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 Mr M had provided about his income and expenditure. He then took out a further loan around 5 weeks later before he repaid his first loan and this was affordable based on what he had told them as well. He then repaid these loans and didn't approach Satsuma again for a further 10 months. I think it is fair and reasonable for Satsuma at this stage to consider Mr M had not become reliant on its loans based on what he was telling it, its credit check data and the long gap between him repaying loans 1 and 2 and asking for loans 3 and 4.

And based on what he had told Satsuma and the credit checks it carried out, the repayments for loans 3 and 4 appeared to be easily affordable. So given these repayment amounts, what was apparent about Mr M's circumstances at the time of these loans, the gap of around 10 months in lending 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 for loans 3 and 4 was unsustainable either.

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

my final decision

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

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

Mark Richardson
ombudsman