Financial Ombudsman Service

complaint

Mr H says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to him.

background

This complaint is about seven instalment loans Provident provided to Mr H between 13 January 2018 and 12 May 2018. Mr H's borrowing history with Provident is as follows:

No.	Loan amount (£)	Loan start date	Terms (months)	Actual closed date
1	150	13 January 2018	6	16 January 2018
2	850	17 February 2018	12	19 February 2018
3	900	22 February 2018	12	26 February 2018
4	300	03 March 2018	4	07 March 2018
5	550	08 March 2018	12	23 March 2018
6	250	04 May 2018	3	07 May 2018
7	500	12 May 2018	12	17 May 2018

Our adjudicator recommended that Mr H's complaint be upheld in part, saying the loans from loan 6 onwards shouldn't have been given. Provident disagreed and the complaint was passed to me. When I looked at the case, I reached a different view to that of the adjudicator. So I sent out a provisional decision and asked for comments and any further evidence. In my provisional decision I said the following:

> *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.*
>
> *Provident 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 Mr H 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.*
>
> *But certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:*
>
> - *the lower a consumer'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.

I've thought about these points, and I don't think I currently have evidence that Provident did lend to Mr H irresponsibly.

I've looked at the income and expenditure Mr H declared to Provident. From this it seems he could, at least on paper, afford to pay back the intended instalments of each loan, with a reasonable margin of error. And in fact he did pay them all back very quickly. The loans Mr H took were instalment loans, intended to be paid back over a number of months, ranging from three months for one loan to 12 months for three of the loans. But Mr H repaid all but one of the loans in between two and five days; and loan 5 was repaid in 15 days.

So, for those loans, I don't think there was a reason Provident should have thought it shouldn't lend to Mr H, or that it should look more carefully into his financial circumstances first.

Mr H did take a large number of loans, however. So I've thought about whether that should have led Provident to be more cautious, and find out more about his circumstances at some point.

The adjudicator said that, by loan 6, Mr H's pattern of borrowing meant there were signs he had become reliant on short term loans. But my current view of this is different. The first five loans were taken over a short period – just under three months. And all were paid off within a few days, apart from loan 5 which was repaid in only 15 days. There was then a gap of two months before loan 6, and this was for half the amount taken at loan 5.

So, given the rapid way in which most of the loans were taken, and the gap of two months after an initial borrowing period of three months, I don't think there was a concerning pattern of lending. It may be that Provident should have done more investigation for those loans that had longer terms. But, in the actual overall circumstances of this case, I don't think I can reasonably criticise Provident for not looking into Mr H's full financial circumstances in more detail before giving loan 6.

Loan 7 was taken only three days after loan 6 however; and it was for twice as much as loan 6. I think at this stage Provident should have been enquiring more about Mr H's financial situation and reviewing it. However, I don't have any evidence to show that, even if Provident had done this, it would have shown that Provident shouldn't have offered more lending. I only have Provident's summary of its credit checks, but these show nothing concerning. And I don't have information from Mr H to show that this borrowing would have been unsustainable.

I didn't receive any further comments or evidence in response to this.

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

For the reasons given above, I am not upholding this complaint.

my final decision

I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 February 2020.

Timothy Bailey
ombudsman