

## **complaint**

Mrs R complains that Provident Personal Credit Limited (trading as Satsuma) lent to her irresponsibly.

## **background**

Mrs R took out two loans with Satsuma in October 2016. The first loan was for £700. But Mrs R repaid the first loan in full after a couple of days, and replaced it a few days later with a loan for £1,000. Mrs R fell into difficulties with her repayments on the second loan straight away, and set up a payment arrangement on the account.

Mrs R says she had a serious gambling problem when she applied for the loans. She believes that Satsuma should have carried out more thorough affordability checks and checked her bank statements. She says that if it had done so, it would have seen that she had a lot of debt.

Our adjudicator didn't recommend that the complaint should be upheld. In summary, he thought the checks that Satsuma had carried out before making the loans went far enough. And he didn't think there was anything to suggest to Satsuma that Mrs R would have trouble repaying the loans.

Mrs R wasn't happy with the adjudicator's view. So the complaint's been passed to me.

## **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 R 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 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 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 R. It asked her for details of her income and her normal expenditure. It gathered data from credit reference agencies about other credit repayments that Mrs R would need to make over the coming months. And it then used this information to calculate how much disposable income Mrs R had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mrs R's financial situation at that time.

I think it's important to note that, generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain any differences between the information provided by Satsuma's credit check to it and the information that can be seen in the credit report provided to us by Mrs R.

The credit checks that Satsuma did failed to show any information that might have suggested Mrs R was having problems managing her money. And they didn't show any other concerning information such as a reliance on other short term loans, or delinquent or defaulted accounts.

I can see from the information Mrs R has now provided that her finances were under significant pressure at the time. But that wasn't picked up by the credit check information that Satsuma received. And it wasn't something that Mrs R told Satsuma about at the time either. Satsuma was entitled to rely on the information Mrs R provided, in the absence of anything to suggest that it was likely to be unreliable. And I don't think there was any reason for Satsuma to doubt the information Mrs R gave it.

The repayments that Mrs R agreed to make on her loans were relatively modest compared to the monthly income that she declared to Satsuma. And, even after allowing for her regular monthly expenditure and other borrowing, I'm satisfied that the repayments would have appeared to be easily affordable for Mrs R. So given these repayment amounts, what was apparent about Mrs R's circumstances at the time, and her lack of borrowing history with Satsuma, I don't think it would've been proportionate for Satsuma to ask her for the amount of information that would be needed to show the lending was unsustainable. So I don't think Satsuma was wrong to give the loans to Mrs R.

### **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 6 January 2020.

Juliet Collins  
**ombudsman**