

complaint

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

background

Mr D took two loans from Satsuma. One in October 2015 and one in June 2018. Mr D borrowed £500 in October 2015 which was repaid in 13 weekly instalments of £55.04. The second loan in June 2018 was for £2000 repayable over 9 monthly instalments of £444.

Mr D's complaint about the loans has been assessed by one of our adjudicators. He sent a letter to both parties where he didn't uphold Mr D's complaint. He concluded that Satsuma didn't need to do any further checks for either of the loans given the figures Mr D declared. Mr D didn't agree with that assessment and in particular queried the income figure of £7583.28 that Satsuma said he declared in his application for the second loan. Another adjudicator reviewed the complaint and concluded that given the high income figure disclosed, Satsuma should have done more checking about Mr D's financial circumstances before giving him the second loan. But she concluded that the level of checking would not have revealed that the loan was unaffordable or that Mr D couldn't sustainably make the repayments.

Mr D didn't accept that opinion. 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 D 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 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 D. 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 D had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mr D's financial situation at that time.

Mr D has told our service that he was in difficulty when applying for the loans and that Satsuma should have picked up on this. He has provided this service with information about his financial picture at the time.

At the time of the first loan Mr D told Satsuma he was earning £3200 and his outgoings were £850. I have seen results from the credit checks that Satsuma carried out at the time. These checks didn't show any information that might have suggested Mr D 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 active accounts.

In saying that, I think it is 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 why Mr D says that he was having problems managing his money at the time the loan was granted but this was not reflected in the credit search information collated by Satsuma at the time.

The repayments that Mr D had agreed to make on his loan were relatively modest compared to the income that he'd declared to Satsuma. And based on what he had told Satsuma and the credit checks it carried out, the repayments appeared to be easily affordable. So given these repayment amounts, what was apparent about Mr D's circumstances at the time, and his lack of recent borrowing history with the lender, I don't think it would've been proportionate for Satsuma to ask him for anything further.

Mr D repaid the first loan without any apparent difficulty and it was over 2 years before he asked for a further loan from Satsuma. The information I have seen from Satsuma shows it recorded Mr D's income figure as £7583.28. This is a significant increase and I agree with the adjudicator when she says further checking of Mr D's income and outgoings figure would have been proportionate here. Mr D's declared disposable income would suggest he didn't need the credit. I have looked at Mr D's bank statements for this period and I can see that he was earning around £3800. If Satsuma had discovered this I don't think it would have changed the decision to lend. The loan appeared affordable and there were no other difficulties that were apparent. So I don't think Satsuma was wrong to give this loan to Mr D.

I appreciate that my decision will come as a disappointment to Mr D and I sympathise with his circumstances. I don't doubt that Mr D was in difficulty. If the borrowing had continued I would have expected further checks which would include looking at bank statements. But Mr D's loan history on the information I have seen isn't enough for me to say Satsuma should have known he was in difficulty or made further checks that would have revealed this before lending either loan.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 March 2020.

Emma Boothroyd
ombudsman