

## Complaint

Mrs O says Provident Personal Credit Limited (trading as “Satsuma”) irresponsibly lent to her.

## Background

This complaint is about eight high-cost short term credit instalment loans that Satsuma provided to Mrs O from April 2013 onwards. Mrs O’s last loan was provided in November 2016.

Our adjudicator upheld Mrs O’s complaint and thought that she shouldn’t have been provided with any of her loans. Satsuma didn’t respond to our adjudicator’s assessment. So the complaint was 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 the key 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 Mrs O 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 the 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.

I’ve carefully considered all of the arguments, evidence and information provided. Having looked at the overall pattern of Satsuma’s lending history with Mrs O, I think that Satsuma

should reasonably have seen that Mrs O was unlikely to have been able to make her payments in a sustainable manner when it provided these loans.

I say this because the information Satsuma itself obtained before providing loans 1, 2 and 3 suggested that Mrs O's income was unlikely to be able to allow her to repay these loans without borrowing further or experiencing undue financial difficulty. The loan payments were taking up a significant proportion of Mrs O income and left her very little to meet her normal living costs and other reasonable expenses. Indeed the combined payments for loans 2 and 3 even appear to exceed the disposable income Satsuma had recorded for Mrs O.

I also think that by the time of loan 4 Mrs O's pattern of borrowing was indicative of her loans having become unsustainable for her. She was provided with new loans despite not having repaid previous ones. This pattern of borrowing went on to continue over an extended number of loans and over a period of approaching four years. I'm not persuaded that Mrs O having repaid these loans means that they were sustainable for her or that it was fair and reasonable for Satsuma to have provided them in the first place.

Mrs O had to pay interest and charges on loans that Satsuma shouldn't have provided her with. So I think that she lost out and Satsuma should put things right.

#### **Putting things right – what Satsuma needs to do**

- refund all interest and charges Mrs O paid on her loans;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- any adverse information about loans 1 to 3 (should it remain) should be removed from Mrs O's credit file and all reference to loans 4 to 8 should be completely removed from Mrs O's credit file.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mrs O a certificate showing how much tax it's taken off if she asks for one.

#### **My final decision**

For the reasons given above, I'm upholding Mrs O's complaint. Provident Personal Credit Limited should pay Mrs O compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 20 April 2020.

Jeshen Narayanan  
**Ombudsman**