

The complaint

Mr L says Provident Personal Credit Limited (trading as Satsuma) lent to him irresponsibly. Mr L is also unhappy in the manner that Satsuma dealt with his complaint.

What happened

Our adjudicator thought the complaint should be partially upheld. Satsuma agreed with the adjudicator's opinion and made an offer in-line with the adjudicator's recommendation. But Mr L disagreed with the adjudicator's outcome. The complaint was then passed to me.

I issued my provisional decision saying that Mr L's complaint should be upheld in part. A copy of the background to the complaint and my provisional findings follow this and form part of this final decision:

What I said in my provisional decision:

Mr L took 6 instalment loans between June 2015 and June 2018. I've included some of the information we've received about these loans in the table below.

Loan Number	Loan Amount	Date of loan	Actual Repayment Date
1	£800	13/06/2015	18/12/2015
2	£600	27/02/2016	09/03/2016
3	£800	30/04/2016	17/08/2016
4	£1,600	21/09/2016	10/02/2017
5	£400	06/05/2017	24/05/2017
6	£1,000	15/06/2018	27/08/2018

Our adjudicator didn't think it was wrong of Satsuma to have granted loans 1, 2, 3 or 6. But he thought the remaining loans (4 and 5) shouldn't have been given.

Satsuma accepted that something may have gone wrong when it provided loans 4 and 5, so it agreed to refund interest on these loans together with 8% simple interest. It also agreed to remove any adverse information about these loans from Mr L's credit file.

Mr L appears to agree with the adjudicator's view about loans 4 to 6. But he disagrees that Satsuma wasn't wrong to lend loans 1 to 3. In summary, Mr L feels all these loans shouldn't have been lent as:

- *his overall financial situation was poor at the time;*
- *he had seven outstanding defaults and other credit commitments which Satsuma would've known about had it completed appropriate credit checks;*
- *there'd been signs of financial difficulty during loan 1 as he couldn't keep up with the repayments.*

Mr L also says the adjudicator hasn't considered what he has said about Satsuma's complaint handling, including the time taken to review his complaint.

As no agreement has been reached, the case has been passed to me for a final decision.

What I've provisionally decided – and why

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

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. And while I'm still intending to partly uphold Mr L's complaint, I think an additional loan should be upheld and I've explained why below.

Mr L doesn't appear to disagree with our adjudicator's findings that Satsuma wasn't wrong to lend loan 6. It seems therefore that this lending isn't in dispute and so I no longer think that I need to make a finding about it.

I've also not considered whether Satsuma should have lent loans 4 and 5 as it has already agreed it shouldn't and offered to put things right in line with the adjudicator's recommendation. I understand that a cheque has been sent to Mr L for the value of the refund for these loans. So instead, this decision will focus on whether Satsuma did anything wrong when it lent loans 1 to 3.

For the lending that remains in dispute, Satsuma had to assess it to check if Mr L could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Satsuma's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments and Mr L's income and expenditure. With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate.

But certain factors might suggest Satsuma should have done more to establish that any lending was sustainable for Mr L. These factors include:

- *Mr L having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);*
- *Mr L having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);*
- *Mr L coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).*

There may even come a point where the lending history and pattern of lending itself clearly

demonstrates that the lending was unsustainable for Mr L.

Satsuma was required to establish whether Mr L could sustainably repay his instalment loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr L was able to repay his loans sustainably. But it doesn't automatically follow that this is the case. The Financial Conduct Authority's (the industry regulatory) says in the Consumer Credit Sourcebook ("CONC") states payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr L's complaint.

loans 1 and 2

Loan 1 (£800) was due to be repaid over 52 weeks with weekly repayments of around £29. Mr L declared an income of £1,985 and monthly expenditure (housing, financial and other commitments) of £736. Satsuma also carried out a credit check and included any undeclared credit commitments that it could see together with a further buffer. For loan 1 this meant Satsuma used overall expenditure of £1,338.94. Leaving Mr L with around £646 of disposable income.

Considering the amount borrowed and with no previous lending history, I think the checks went far enough. And based on the checks Satsuma completed I'm satisfied that loan 1 would've seemed affordable and sustainable.

I think it's important to say that I don't think Satsuma at this stage was required to complete a full review of Mr L's circumstances. Furthermore, 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 at the time of application. 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 Satsuma saw and what Mr L says should've been seen.

I appreciate a couple of scheduled repayments were declined during loan 1. From what I can see though, weekly payments were broadly paid throughout the actual term of the loan and no defaults or late payment fees were charged. Following each declined payment, the actual weekly repayment due was made without any significant delay. So, whilst I appreciate that Mr L hadn't made every repayment on the due date, I don't think there was quite enough evidence by this point to say that he wouldn't be able to repay loan 2's weekly repayments (around £23) sustainably as a result.

Loan 2 (£600) was lower and taken out over two months after loan 1 had been repaid. Mr L declared significantly higher financial commitments for this loan (£500). Satsuma also increased the expenditure declared further by an additional buffer (including any undeclared credit commitments it saw) leaving Mr L with a disposable income of around £265. Looking at everything together, I think the checks went far enough and I think it was reasonable for Satsuma to consider loan 2 was affordable and sustainable.

loan 3

Loan 3 was lent the month after loan 2 was repaid. There was an increase in the loan

amount to £800 with similar repayments to loan 1. It was also the third time that Mr L had taken out a loan which was due to be repaid over 52 weeks. And the manner in which Mr L used loan 2 – taken out and repaid within a month – is similar to how a payday loan would be used. And Loan 1 was also repaid much earlier than scheduled.

So by now I don't think it was reasonable of Satsuma to have relied on what Mr L told it – after all Mr L was now potentially extended his indebtedness for a further 12 months. Instead Satsuma needed to gain a full understanding of Mr L's actual financial position to ensure the loan was affordable and was able to be repaid sustainably. This could've been done in several ways, such as asking for evidence of outgoings, or as I've done here, looking at Mr L's bank statements. This might've helped verify information provided and revealed whether there was any other information that Satsuma might've needed to consider about Mr L's general financial position.

From what I can see when looking at Mr L's bank statements before loan 3 was lent, his overall credit expenditure (including credit cards, personal loans, car finance and short-term loans) exceeded his income. So, in my view he was unlikely to be able to repay loan 3 in an affordable and sustainable way.

I'm therefore upholding Mr L's complaint about loan 3. And I've set out what Satsuma should do to put things right as detailed below - I've also included loans 4 and 5 which as I've explained Satsuma has already agreed it shouldn't have lent.

complaint handling

Mr L complained to Satsuma on 9 April 2019 and it acknowledged the complaint on 15 April 2019. I can see that Satsuma was late in issuing its final response letter, but it did refer Mr L to this service on 4 June 2019 as it was unable to reply in the eight-week regulatory time limit. And I'd expect Satsuma to issue a holding letter if it wasn't in a position to issue a full response to the complaint.

Mr L then referred his complaint to us on 8 June 2019. Mr L was therefore able to refer the complaint to us for consideration despite the delay, although I can appreciate his disappointment at not receiving a response.

Mr L is also unhappy with content of the final response and has made several comments about it. I'm not going to address every point raised by Mr L (or by Satsuma for that matter). Here I've concentrated on what I consider to be the crux of the complaint and what I think affects the outcome. But I've considered everything each party has said to decide what I think is fair and reasonable in the circumstances.

What I've decided – and why

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

Satsuma didn't respond to my provisional decision. Mr L responded with the following points for me to consider;

- Satsuma had already admitted fault in relation to loan 6. In its offer issued 24 January 2020, Satsuma conceded to refund interest on loans 5 & 6. Therefore, Mr L says loan 6 should be added to loans 3,4 & 5 in the total refund.
- Satsuma issued *Borrowing Summaries* for each loan which include the term 'how much did your loan cost'. The figures quoted seem to be different to what Satsuma are using to calculate the redress in their previous offer. A Borrowing Summary, is a

record of the cost of the loans. So, Mr L wishes for the interest refunded to reflect the Borrowing Summaries. He has calculated this to amount to be £3,765. However, if Provident honours its Borrowing Summaries, he would be prepared to ignore loan 6 and accept £2,773 plus interest.

Satsuma's offer dated 24 January 2020 implies it was making an offer for loans 5 and 6. We got in touch with Satsuma and it would like to offer an apology for the confusion as it has explained that the offer and redress calculations were based on loans 4 and 5. But due to a typo, its letter included the agreement numbers for loans 5 and 6. I'd also point out that if Mr L has cashed the cheque that was provided with the letter Satsuma is entitled to take this sum into account when working out the redress.

Our adjudicator had previously looked into Mr L's sixth loan and could see that this was taken out around 13 months after Mr L repaid loan 5. The adjudicator thought the break in lending was substantial enough to consider loan 6 as a separate chain of borrowing to loans 1-5. Subsequently, after investigating loan 6, he didn't think Satsuma did anything wrong when it provided the loan. Having reviewed loan 6 again, I agree with the adjudicator and I don't think Provident was wrong to have provided this loan given the break in lending and what it knew about Mr L at the time.

Prior to receiving my provisional decision, Mr L told us he agreed with the adjudicator's opinion for loans 4, 5 and 6. But he wanted an ombudsman to look into his concerns for his first three loans. Following Satsuma's offer letter, it's understandable that Mr L believed Satsuma had also upheld loan 6 due to the way the offer was presented. But I'm satisfied that this seems to be an error, and that Satsuma has provided the redress calculations for loans 4 and 5. As I explained in my provisional decision, I think Satsuma were wrong to approve Mr L's third loan as well and therefore, any redress will need to include this loan as well.

Mr L has provided a Borrowing Summary for each of his loans. The figures quoted under '*how much did your loan cost*' seems to be the cost of the loan had Mr L run each loan to term. But, for many of the loans Mr L repaid his loans early, meaning he wouldn't have paid as much interest.

But to be clear Satsuma will need to work out how much interest (including any late fees and charges) Mr L *actually* paid for each loan that it was wrong to provide – so loans 3, 4 and 5. It is this sum that is refund along with 8% simple interest. It may be helpful if Mr L accepts the final decision that Satsuma provides him with a breakdown of how it calculated the refund.

Satsuma didn't raise any new points after receiving my provisional decision. So, taking everything into account I still think Satsuma was wrong to have provided loans 3 – 5. And I've outlined below what Satsuma needs to do to put things right.

Putting things right

Considering what Satsuma has already agreed to do, in order to put things right it should, in total:

- refund all interest and charges Mr L paid on loans 3, 4 and 5;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement*;
- remove any adverse information about loans 3, 4 and 5 from Mr L's credit file;
- provide Mr L with a breakdown as to how the above refund has been calculated

*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr L a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision, I partly uphold Mr L's complaint.

Provident Personal Credit Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 October 2020.

Robert Walker
Ombudsman