

## The complaint

Mr L has complained that Provident Personal Credit Limited (trading as Satsuma Loans (“Satsuma”)) gave him unaffordable loans.

## What happened

Mr L took four instalment loans from Satsuma between January 2016 and July 2019. A summary of his borrowing, based on the information provided to us from the lender, can be found below:

Loan	Date Taken	Date Repaid	No of Instalments*	Amount Borrowed
1	16/01/2016	21/10/2016	39	£500.00
2	29/10/2016	16/03/2017	39	£750.00
3	04/03/2017	16/03/2017	9	£900.00
4	16/07/2019	outstanding	12	£2,000.00

\*Loans 1 and 2 were to be repaid in 39 weekly instalments. Loans 3 and 4 were to be repaid in monthly instalments.

One of our adjudicators looked at Mr L’s complaint. He didn’t think Satsuma were wrong to provide loans 1 and 2 based on the information it gathered about Mr L’s financial circumstances. But the adjudicator thought that further checks were warranted for Mr L’s third loan. And had Satsuma done this, the adjudicator thought it would have seen that Mr L could not sustain the loan repayments.

For loan 4, the adjudicator thought that Satsuma’s checks were proportionate given that this was a new chain of lending due to the break in borrowing between loans 3 and 4. The adjudicator thought loan 4 appeared affordable based on the information declared by Mr L.

It appears that Satsuma agreed with our adjudicator’s opinion as it made an offer to settle loan 3. Mr L disagreed and provided the following complaint points;

- Mr L says further checks should have been carried out by Satsuma at the time of applying for loan 4.
- In the two months prior to loan 4 Mr L had taken out six loans totalling over £10,000. Mr L says he had numerous other debts as well which added with these more recent loans, totalled around £20,000. Mr L told us he had an arrangement to repay a £3,000 overdraft. Mr L has told us details of all of this were on his credit report and this should have triggered the need for Satsuma to look further into his finances.
- Satsuma also ought to have seen that Mr L had a gambling problem and was reliant on payday and high cost loans.
- Mr L finally said that he has had other complaints with our service which have been upheld when his financial situation was the same.

As no agreement could be reached the complaint has been passed to me for a final decision.

### **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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the facility was provided.

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 Mr L could repay these 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 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.

To begin with, both Mr L and Satsuma seem to accept our adjudicator's opinion in relation to loans 1-3. It appears that Mr L's main concern is about the checks Satsuma carried out before granting loan 4. So, this decision will focus on loan 4, and whether Satsuma was wrong to approve it.

But I've outlined what Satsuma needs to do to put things for loan 3 – which is what it seems it has already agreed to do.

Firstly, I would like to start by saying I'm satisfied there are two lending chains – loans 1-3 and then loan 4. I say this because Mr L took out loan 4 more than two years after he repaid loan 3. And I think this amount of time that had passed was long enough for Satsuma to have reasonably assumed that Mr L had overcome whatever financial event that had led him to take his previous three loans. So, it wasn't unreasonable for Satsuma to have treated Mr L's application for the fourth loan afresh – and as if he was a new customer.

For loan 4, Satsuma asked Mr L to declare his monthly income and expenditure, and it completed a credit check. Mr L declared that he had a monthly income of £3,700 and his monthly expenditure amounted to £1,750. This left Mr L with a disposable income of around £1,950 of which to meet the monthly repayments of £332. So, Satsuma could've reasonably believed Mr L would afford the repayments he was committed to making. Given this was the first loan in a new chain I think the checks that Satsuma carried out were proportionate.

I acknowledge that Mr L has concerns about these figures because they are the same figures, he declared in his previous loan applications. I can understand Mr L's concerns, but as this was the first loan in a new chain of lending, and the figures didn't appear to be unreasonable, I don't think Satsuma needed to take additional steps to verify the information Mr L had provided about his income and expenditure.

Mr L has also told us he feels his credit file would have shown adverse information which Satsuma should have known about before approving the loan. The information I have shows Satsuma completed a credit check before the loan was approved. But the information Satsuma received wasn't as detailed as Mr L's full credit check, but that doesn't mean it was unreasonable for Satsuma to rely on the information it was given.

The credit check results showed Mr L had no County Court Judgements and he wasn't subject to a Bankruptcy, IVA or a debt management arrangement. In addition to this, based on what Satsuma was given none of his active accounts were in arrears. Satsuma was also told that Mr L didn't have any active payday loans and it had been one month since his last payday loan.

Mr L has provided a copy of his full credit file showing he had taken out a significant number of loans prior to this application. And I acknowledge that his circumstances were very different to what Satsuma were aware of. And had Satsuma asked to see a copy of Mr L's full credit report it may have felt this loan shouldn't have been provided.

But Satsuma did carry out a credit check of its own and it was entitled to rely on the information that it was provided. In my view, the information it was provided didn't suggest that it needed to carry out more in-depth checks or to decline Mr L's application. And I think, given what else Mr L told Satsuma, it wasn't alerted to anything else that may have needed further investigation. So at this stage of the lending relationship, and given what Satsuma knew about Mr L, I wouldn't have expected it to verify the information Mr L told it by obtaining his bank statements.

I acknowledge that Mr L has had some of his other complaints upheld about other short-term lenders. But, at this service, we look at each individual complaint on its own merits, taking into account the individual circumstances of the consumer as well as checks the lender did when the loans were approved.

And in the individual circumstance of this case, based on the information Satsuma gathered about Mr L's circumstances, I don't think it was unreasonable that it made the decision to lend. I understand that my findings are likely to disappoint Mr L, but I hope my explanation will help him understand why I've reached this conclusion.

### **Putting things right**

- Satsuma should add together the total of the repayments made by Mr L towards interest, fees and charges for loan 3.

- It should then calculate 8% simple interest\* on the individual payments made by Mr L which were considered as part of the above, calculated from the date Mr L originally made the payments, to the date the complaint is settled.
- Satsuma should remove any adverse information recorded on Mr L's credit file in relation to loan 3.

If Satsuma still has control over the outstanding balance due for loan 4, then Satsuma can, if it wishes, use the above refund to offset any balance due. If Satsuma doesn't have control then it needs to work with the third to achieve the same results as I've outlined above.

Finally, I'd remind Satsuma of its obligation to treat Mr L fairly.

\*HMRC requires you to take off tax from this interest. If Mr L asks you for a certificate showing how much tax you've taken off, you should provide this.

### **My final decision**

For the reasons I've explained above, Mr L's complaint is partly upheld.

Provident Personal Credit Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 January 2021.

Robert Walker  
**Ombudsman**