

## The complaint

Mr R complains that Provident Personal Credit Limited, trading as Satsuma, lent to him irresponsibly.

Mr R added to his complaint points to include that he felt that Satsuma had refused him a repayment plan of £20, and later had recorded a default against him which he thinks was unfair.

## What happened

Mr R applied for and was approved for one loan on 26 September 2018. It was for £500 and the monthly repayments were scheduled to be £158 over six months.

Mr R had declared to Satsuma that he was living at home, that he earned £2,500 a month, and had expenditure. Satsuma explained in its final response letter that it checked the information Mr R had given to it (income and expenditure) and where a higher level of expenditure was discovered it would use that higher figure. Satsuma set out in a table how it dealt with that information. I duplicate some of that table here and use rounded figures:

	Declared income	Mortgage/rent	Financial commitments	Other outgoings	Total disposable income	Remaining disposable after instalment
Mr R's declared figures	£2,500	£100	£300	£180	£1,920	£1,762
Satsuma's adjusted figures		£100	£1,083 (increased by £783)	£327 (increased by £147)	£989	£831

Mr R has told us that he was unemployed at the time, had a gambling problem and had multiple other loans which he thinks Satsuma ought to have picked up on.

He told Satsuma that he was in financial difficulties in or around January 2019. A repayment plan was set up which Mr R did not keep to.

A debt collector was involved in July 2019 and Mr R repaid the debt and in or around October 2019.

Mr R has sent to us a copy of his personal credit file dated 28 December 2017.

One of our adjudicators looked at the complaint and issued three views. In summary her views were that:

- She did not think that Satsuma had lent to him irresponsibly
- She did not think that Satsuma hindered Mr R's attempts to repay the loan or acted unfairly when he had told it about his financial difficulties. She did not think, for example, that Satsuma had refused any repayment plan amounts. She saw that

Mr R offered amounts to pay each month and was accepted for a certain amount £50 - but then Mr R could not keep them up

- She did not think that Satsuma had acted unfairly registering the default when it did.

So, our adjudicator did not uphold any of Mr R's complaint points.

Mr R did not agree and summarised his position as: '*They were irresponsible in their initial lending and then irresponsible in not co-operating when I was experiencing difficulty. They made it impossible for me to avoid further financial harm.*'

Mr R asked that an ombudsman review the complaint. I have seen and read all of Mr R's submissions to this service and the notes of his telephone conversations with our adjudicators. The matter remained unresolved and was passed to me for a 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.

We have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

#### *Preliminary findings*

I need to make some preliminary findings to ensure that Mr R understands that I have considered all the points relevant to this complaint.

Mr R was keen for us to assess his whole relationship with Provident which trades as Satsuma as he says he had other loans with other branches of Provident. These have been set up as separate complaints. What I have seen about the other loans with other Provident branches from information provided by Mr R, was that those others do not overlap or were approved well before this Satsuma loan or post-date it. And so, I doubt that they would have made a difference as they would have had little bearing on it.

I noted that there were declined loan applications before Mr R successfully applied for this loan with Satsuma, but the last one was in May 2017 and so sixteen months before this application. I think it's reasonable, and in line with our approach, for Satsuma to have approached Mr R's application as if he was a fresh customer and/or a customer where the gap was sufficiently large between his applications for it to be reasonable to think his circumstances had improved.

#### *Irresponsible lending*

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves did not set out compulsory checks, they did list several things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to consider a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr R's complaint.

Mr R took one loan and it would be disproportionate for Satsuma to do more than it did. The points that Mr R has made about how he thinks this loan application ought to have been approached suggests to me that he would have liked a full financial review to have been done in September 2018. And then, he says, the loan would likely have been refused.

It was proportionate and within the affordability assessment regulations for Satsuma to rely on the income and expenditure information Mr R gave it, and then to adjust upwards the expenditure figures following its checks. Having done that, Satsuma had calculated that he was likely able to afford the £158 a month. I know that Mr R does not agree with that approach, but that is how we approach irresponsible lending complaints.

Mr R's credit search results from Satsuma show me that it knew he had had a County Court Judgement (CCJ) but that it was 71 months before this application in September 2018. I do not think it unusual that Satsuma would have factored into its decision making that the CCJ was close to 6 years old. The credit search results also show that he had one other payday loan and no outstanding arrears on it. It may have seen he had a default status in the past but that usually is not enough for a lender to decline an application.

Mr R has sent to us a copy of his personal credit file dated 28 December 2017. This pre-dates the 26 September 2018 approval by nine months and so was not going to provide me with Mr R's financial picture at the time of the loan. So, I have not been able to rely on that information.

It's not likely or expected that Satsuma would have asked to see and review bank statements for a first loan. And that is because at that stage of the lending relationship, (and I have accounted for the sixteen month gap from the earlier declined application in May 2017) I'd not expect such an in-depth analysis to have taken place. And so, unless Mr R had volunteered his gambling costs, then I have no reason to think that Satsuma would have known about them.

It is not likely that Satsuma would have been aware or likely to have found out that Mr R had received a P45 – a Tax notification of the end of his job – unless he had told it. Mr R has explained to us that he consciously chose not to inform Satsuma about his job being at risk. Mr R goes on to say that still he thinks that it was Satsuma's responsibility to carry out responsible and proportionate checks. When considering these details, then I understand that Satsuma did carry out checks on the information Mr R had told it. And I have decided that any income verification checks carried out by Satsuma would have revealed salaries of £2,528 in July 2018 and £2,375 in August 2018 which are in line with his declared income of £2,500. And so, Satsuma would not have had cause for concern.

And Mr R's explanations demonstrate to me that at the time he was applying for this loan, it's more likely he wanted to obtain the loan and therefore I doubt that he would have volunteered the fact he had just been given his P45.

I am satisfied that Satsuma did what I would have expected it to do for a loan of £500, repayable in instalments over a relatively short time. I do not uphold Mr R's complaint about irresponsible lending.

#### *Repayment plans and default*

Mr R has made several points about what happened after the loan was approved. And some of these points are summarised here:

- Mr R says that Satsuma did not co-operate fairly when payments were missed, resulting in further financial harm and an unfair default marker being added;
- Mr R has told us that he was unhappy that the default was entered after nine months of non-payment and/or token payments and he thinks that it should have been applied sooner;
- And Mr R has said he'd like the default removed.
- *'I believe that if Satsuma had accepted my original offer of £20 per month this would have been affordable and a default could have been avoided.'*

I have the account notes of the contacts and correspondence between Mr R and Satsuma personnel commencing 26 September 2018.

Mr R started to communicate with Satsuma about a delay in paying in November 2018. His explanation was that he had changed jobs but his new salary would be higher and so the £158 each month would be affordable going forward. A token payment was agreed for 20 November 2018 and then the agreed payment for December 2018 was £253.33.

Satsuma's records of the payments show that Mr R did pay £33 on 20 November 2018 and £253.33 on 20 December 2018.

In mid-January 2019 Mr R informed Satsuma of being in financial difficulties. As well as explaining his position Mr R said: *'I would be grateful if you could agree to a £20 per month payment plan for now, in the hope that I can increase payments when my situation improves.'*

Satsuma replied to say that the specialist team would be in contact with him. On 21 January 2019 Mr R was asked by Satsuma for more details about his change of circumstances. He was given contact details for debt advice charities.

Mr R's response on 26 January 2019 was to say: *'Hi, My employment status has changed; I am now a self-employed contractor. Therefore I can't commit to the initially agreed monthly payment. I can commit to £50 per month to clear the current balance as it stands, if you would be kind enough to freeze interest and charges.'*

Satsuma responded to his 26 January 2019 email a few days later and asked sensible and pertinent questions surrounding Mr R's situation. It commenced by agreeing to help and said: *'We can certainly look at setting this up for you. I will need to ask you a few questions to make sure we are setting up the most affordable and sustainable arrangement for you,...'*

There is a gap in communication in the account notes until March 2019 and I cannot see that any £50 or £20 payments were made by Mr R to Satsuma during that time.

I note that Mr R has recently mentioned that he thinks call recordings will demonstrate Satsuma decided to refuse his £20 a month offer. But I do not think that there's any evidence of any calls having taken place during this time as the contact seems to have been by email. Mr R is likely to have copies of those emails having sent and received them.

There's no reference in these Satsuma account notes to the £20 a month suggested by Mr R being refused. Even if it was refused, I have reviewed the regulations surrounding how a business should act when a customer approaches it about being in financial difficulties and I am satisfied that for the £20 suggested repayment plan to be refused – if it was – would not have been unreasonable as it was a greatly reduced figure than the £158 a month originally agreed. And Mr R was giving explanations to Satsuma which suggested it was a temporary issue and that the situation would improve. And in any event, the refusal, if there was one,

was not referred to or challenged by Mr R in the next email exchange. Instead he offered a higher figure of £50 a month. I know that Mr R has said he thinks that he was pressured into offering £50 but I do not think that the evidence suggests any pressure to offer a certain amount.

And I have looked at the bank statements Mr R has sent to see if the £50 a month was too much for him and that the £20 a month was likely to have made such a difference that the default could have been avoided. And I do not think it was the situation in late January 2019. A summary for the statement covering 10 January 2019 to 8 February 2019 shows that Mr R received £10,279 and paid out £9,989 leaving an overall balance of £261. I appreciate that some of these outgoings were for other loans and gambling costs, but I don't think that Mr R's contention that Satsuma's alleged refusal of a £20 a month repayment plan made the significant difference on Mr R that he says that it has.

In March 2019 the account notes show that Mr R called Satsuma. The reason was about a missed payment. The Satsuma records show that nothing had been received since December 2018. He explained that he was out of work and declined to complete an 'income and expenditure' form (I&E) as he did not think it would give a '*true reflection of income*' as he had no set wage. He offered £50 a month for three months and then to go back to the normal repayment sums. The notes go on to say that Mr R's Continuous Payment Authority (CPA) was updated.

The next note says that this arrangement was removed on 29 April 2019 due to non-payment. An 'I&E' form was sent to him on 28 May 2019. The Satsuma records show that a debt collection agency became involved and payments were received on 6 July 2019 and 10 August 2019 of £40 each.

Mr R brought the irresponsible lending complaint against Satsuma in August 2019. Mr R states in that complaint letter that a default marker had been entered on his credit file by then and he felt that this was unfair. The debt was paid in October 2019.

As I have said earlier, Mr R has sent to us a copy of his personal credit file dated 28 December 2017. This pre-dates the 26 September 2018 approval by nine months and so was not going to provide me with Mr R's accurate financial credit situation at the time of the loan. And because of the date of this record, I have not seen the exact date the default was entered.

I have considered all these points and that Mr R seems to be complaining that he would have wanted the default applied earlier, not later. But I do not agree.

My decision in relation to the repayment arrangements and Mr R's complaint that the default ought to have been entered earlier and that he wants it removed are:

- Satsuma acted reasonably and helped when Mr R asked for it; and
- Mr R has accepted that there were months of non-payment and/or what he describes as token payments. Satsuma's records reflect this.
- I do not think that Satsuma did anything wrong by showing forbearance when Mr R needed it; and
- I do not think that obtaining call recordings, if there are any, of an alleged refusal of a £20 repayment plan would likely make a difference to my decision. And for completeness I have considered the situation if Satsuma *had* refused to allow Mr R to repay £20 and I do not think any such refusal would have been unreasonable or have made a difference to Mr R's financial situation;
- I cannot conclude that Satsuma was wrong to enter the default when it did. I think it was properly applied.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 January 2021.

Rachael Williams  
**Ombudsman**