

The complaint

Miss H says Provident Personal Credit Limited trading as Satsuma lent to her irresponsibly. She said repaying these loans each month left her in financial hardship. The worry and stress of the situation negatively affected her mental health.

What happened

This complaint is about seven instalment loans Satsuma provided to Miss H between December 2017 and March 2019.

loan number	date started	amount borrowed	term (months)	date ended
1	26/12/2017	£650	6	02/08/2018
2	28/01/2018	£800	9	02/05/2018
3	28/05/2018	£1,000	5	22/09/2018
4	29/07/2018	£500	9	25/10/2018
5	30/09/2018	£350	9	23/10/2018
6	30/01/2019	£1,250	9	23/10/2019
7	12/03/2019	£2,000	12	17/02/2020

Our adjudicator partially upheld the complaint. He thought that the lending pattern itself showed that Satsuma shouldn't have approved loans 6 and 7. Satsuma agreed with the adjudicator's opinion and made an offer of compensation in the way the adjudicator recommended.

Miss H disagreed with the adjudicator's opinion. She outlined what she said were the negative affects the loans had on her financial situation and how the borrowing had caused her worry and stress.

As no agreement has been reached the complaint has been passed to me, an ombudsman, to make 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.

We've set out our general approach to complaints about irresponsible 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 Miss H 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've decided to uphold Miss H's complaint in part and have explained why below.

Miss H, and Satsuma, didn't disagree with our adjudicators opinion to uphold loans 6 and 7. Because of this I don't think there is any ongoing disagreement about these loans. And for the avoidance of doubt, I agree that Satsuma should pay the compensation the adjudicator recommended and for the same reasons. I understand Satsuma has already done this, but for completeness I've outlined this compensation in my putting things right section below.

For loan 1 Miss H needed to repay around £200 for the following six months. Going forward the highest amounts she would repay was around £350 for loan 3. But the repayments for loans 2, 4 and 5 were lower.

I've seen a record of the information Miss H provided when she completed her loan applications. Miss H said she had a monthly income of £4,800 and she had regular monthly outgoings of just over £3,000. This would have left her with enough money to make the loan repayments for loans 1 to 5.

And from what I've seen the further checks Satsuma did, such as obtaining information from a credit reference agency, also didn't show that Miss H was in or likely having financial difficulties.

And so it would be reasonable for Satsuma to have assumed that Miss H could afford the repayments for loans 1 to 5.

Miss H has said that she was having problems when she borrowed. But to uphold Miss H's complaint for this reason I need to be able to say that either Satsuma knew about these problems, or it should've carried out a more in depth look at her circumstances to find out

about them. And these more detailed checks would've likely shown the loans weren't affordable.

But as I've outlined earlier, having looked at the information Satsuma had at the time of sale, I think it's reasonable to say that it wasn't aware of any problems Miss H was having for the earlier loans. It didn't see anything that would've prompted it to investigate her circumstances further and Miss H didn't have significant difficulty making the loan repayments. So, I think it was reasonable for Satsuma to rely on the information it obtained for loans 1 to 3.

Moving forward I agree that, over loans 4 and 5, Satsuma should, perhaps, have been making more in depth checks into Miss H's circumstances. But, whilst I acknowledge the difficulties Miss H says she was facing, I haven't seen any information that would allow me to say for certain these loans weren't affordable for her.

So overall, I think Satsuma's decision to lend for these loans 1 to 5 was reasonable. I'm not upholding Miss H's complaint about them.

I can see Miss H feels very strongly about this and I'm sure my decision isn't what she wanted. But I hope it doesn't cause any distress and that my explanation is helpful.

Putting things right

Satsuma shouldn't have given Miss H loans 6 and 7 and if it hasn't already done so, it should do the following to put things right.

A) Satsuma should add together the total of the repayments made by Miss H towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B) Satsuma should calculate 8% simple interest* on the individual payments made by Miss H which were considered as part of "A", calculated from the date Miss H originally made the payments, to the date the complaint is settled.

C) Satsuma should pay Miss H the total of "A" plus "B".

D) The overall pattern of Miss H's borrowing for loans 6 and 7 means any information recorded about them is adverse, so it should remove these loans entirely from Miss H's credit file. If Satsuma has sold any of the loans Satsuma should ask the debt purchaser to do the same.

F) Satsuma should provide a breakdown of how the compensation is calculated so Miss H can be sure it has paid the right amount.

*HM Revenue & Customs requires Satsuma to deduct tax from this interest. Satsuma should give Miss H a certificate showing how much tax Satsuma has deducted, if they ask for one.

My final decision

For the reasons I've explained, I partly uphold Miss H'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 Miss H to accept or reject my decision before 15 February 2021.

Andy Burlinson
Ombudsman