

The complaint

Mr V complained about a number of loans he took out through a company called Provident Personal Credit Limited, trading as Satsuma. Mr V says he was lent to irresponsibly and the loans caused him financial problems.

To keep things simple, I'll refer mainly to "Satsuma".

What happened

We now know that Mr V took out 4 loans from Satsuma between October 2017 and March 2018. I've enclosed a summary of Mr V's borrowing with Satsuma, based on the information it provided to us:

Loan	Date Taken Out	Date Repaid	Type of Loan	Amount	Highest Repayment
1	06/10/2017	10/01/2018	Payday	£200	£98.40
2	28/11/2017	10/01/2018	Instalment	£200	£63.20
3	29/01/2018	28/04/2018	Payday	£300	£147.60
4	12/03/2018	27/03/2019	Instalment	£1,210	£200.86

One of our adjudicators recently re-looked into the complaint and said they thought it should be upheld in respect of loan number 4 only. Satsuma didn't agree so I've been asked to make an ombudsman's 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 short-term lending including all of the relevant rules, guidance and good industry practice, on our website. I've followed this approach when thinking about Mr V's complaint.

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 that Mr V could repay all the loans he was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Satsuma should have fairly and reasonably 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 or pattern of lending itself clearly demonstrates that the lending was unsustainable. So, Satsuma was required to establish whether Mr V could sustainably repay the loans; not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan being affordable on this basis *might* be an indication that Mr V could sustainably make the repayments. But it doesn't automatically follow that this is the case. This is because the relevant regulations define 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. So, it follows that a lender should realise, or it ought to have fairly and reasonably realised, that a borrower won't be able to make their repayments sustainably if they are unlikely to be able to make them without borrowing further.

Satsuma told us it carried out certain affordability and credit checks before agreeing to lend to Mr V including assessing his income and expenditure. It says that this information showed he would be able to make the loan repayments he was committing to.

Having looked carefully over all the evidence we have, I don't think it's clear enough that what Satsuma would have seen, from its checks, would have suggested loan numbers 1-3 were either unaffordable for Mr V or that the information from the checks it carried out undermined the income / outgoings Mr V had himself declared. For these first 3 loans proportionate checks would have probably been at the less detailed end of the spectrum and I think Satsuma was entitled to rely on what it was being told, together with checks that would have exposed some, but certainly not all of Mr V's financial profile.

He had declared his income (after tax) as £2,200 per month and given the amounts he was asking to borrow were originally quite moderate, I think loans 1-3 would have looked sustainable. I'm therefore not upholding the complaint in respect of loans 1-3.

However, I think from the point of loan number 4, the situation was different. Whilst he was still in a situation where the lending relationship was at *relatively* early stage, loan 4 was applied for whilst loan 3 was still outstanding, and importantly, it was for a much higher amount.

I think any reasonable assessment of this situation ought to have caused a more comprehensive look at Mr V's ability to pay, mainly because the monthly payments had increased substantially from the first loans and the repayment schedule also kept him indebted for a considerably longer period. And, if Satsuma had looked into Mr V's financial affairs, even to a modest degree, it would have easily seen he was in financial difficulties; he was having trouble managing money, regularly using on-line gambling sites and borrowing elsewhere.

I therefore uphold the complaint about loan 4 for these reasons. Satsuma's lending in this regard was irresponsible.

Putting things right

In order to put things right for Mr V, Satsuma should:

- refund all interest and charges Mr V paid on loan 4;
- pay interest of 8% simple a year on any refunded interest and charges from the date paid to the date of settlement†
- remove any adverse information recorded on Mr V's credit file in relation to loan 4;

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

My final decision

I partially uphold Mr V's complaint and direct Provident Personal Credit Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 27 January 2021.

Michael Campbell
Ombudsman