

The complaint

Mr P says Provident Personal Credit Limited trading at the time as 'Satsuma' irresponsibly lent to him. Mr P also says he was bombarded with marketing materials, so he was encouraged to take out further loans, causing a debt spiral.

What happened

Mr P took out one loan for £150 with Satsuma in August 2019. The loan was due to run for six months but Mr P repaid it early on 25 September 2019. His highest contractual repayment for the loan was due to be £47.40.

Mr P wants Satsuma to refund the interest he paid and for it to stop texting him encouraging him to take out further loans.

Our adjudicator didn't uphold this complaint. She said that given the loan amount and Mr P's apparent circumstances at the time together with Mr P's history with the lender, she didn't think it would've been proportionate to ask for the amount of information needed to show the lending was unsustainable.

She also told Mr P that the marketing correspondence Mr P received was for information purposes and we couldn't hold Satsuma responsible for Mr P's decision to take out further lending with other lenders.

Later she also explained that there was no limit on the amount of marketing correspondence a business can send. She said consumers have the option to change their marketing preferences whenever they want, and Mr P could have opted out. She couldn't fairly say that the marketing correspondence sent was the sole reason Mr P took out the loan with the other businesses.

After considering this case further we asked Satsuma to provide further details about the contact it made with Mr P. Satsuma confirmed it had been in contact with Mr P following his complaint about the marketing material he had received and after he had requested that Satsuma stopped contacting him in view of his circumstances.

Following further correspondence another adjudicator then said that he didn't think Satsuma caused Mr P further detriment as a result of sending marketing correspondence notwithstanding Mr P's request not to send any further emails to him. However, he also said that he thought Satsuma had failed to act appropriately and in a timely manner after Mr P made Satsuma aware of his circumstances and how this was affecting him. He asked for Satsuma to consider an award for trouble and upset.

Initially Satsuma agreed to offer Mr P the sum of £100 which Mr P did not wish to accept. It then offered £200. Again, Mr P declined this offer and he asked for the matter to be referred to an ombudsman 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.

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.

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 P 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 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.

I think that it is important for me to start by saying that Satsuma was required to establish whether Mr P could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow 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. 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 carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr P's complaint. I've decided to agree with our adjudicator and decide that although Satsuma wasn't wrong to give loan 1 to Mr P it did fail to act appropriately and in a timely manner when Mr P made Satsuma aware it was having a negative impact on his wellbeing. Satsuma has offered to pay Mr P £200 for the trouble and upset it caused and I think that's fair. I will explain why.

For loan 1, this was the first loan Satsuma had given to Mr P. I can see Mr P declared he had an income of £4,501 per month and outgoings of £973 for his mortgage/rent, £700 for other loans and £359 for other outgoings. This left him with a disposable income of £2,421.60 after factoring in the loan repayment of £47.60.

Satsuma adjusted these figures based on its checks to better reflect Mr P's circumstances. It said the values used were that Mr P had outgoings totalling £3,098.14. This would have left Mr P with a disposable income of £1,355.46 after accounting for the monthly repayment for loan 1 of £47.60. From Satsuma's checks there were no issues of bankruptcy, no county court judgments and no debt management plan or a voluntary arrangement in place at the time it provided the loan. Overall, the checks Satsuma carried out showed it that it was likely Mr P would be in a position to afford the repayments he was committed to making.

So, for this loan I think its checks were proportionate – I don't think it needed to verify what Mr P was saying or look further into his situation. From the information it received I think that Satsuma would have likely thought this loan was affordable. So, I can't say it was unfair for Satsuma to provide this loan to Mr P.

I have next thought about what Mr P has said about being bombarded with correspondence from other companies associated with Satsuma, trying to tempt him into taking out further loans he could not afford, which affected his health and caused spiralling debt.

I am very sorry to hear about Mr P's poor health and the troubles he's experiencing. I want to be clear that I am looking at Mr P's loan with Satsuma only, so if Mr P had any other loans with any other company as part of the Provident group, he will need to address his concerns directly with that company.

Notwithstanding what I have said above I can see that Mr P contacted Satsuma about his complaint on 8 November 2019 and explained that he was suffering with his health and he wanted Satsuma to refund the interest he had paid, stop texting him and acknowledge that it should not have kept tempting him to take out new loans therefore affecting his credit file. It seems that Mr P had complained about the marketing material he was receiving, he asked Satsuma to stop sending it and made Satsuma aware of his medical condition at the time. Following Mr P's complaint Satsuma contacted Mr P to tell him his complaint was being looked into.

Satsuma provided us with a list of correspondence it sent to Mr P. It seems notwithstanding Mr P's request to stop sending marketing material Satsuma continued to send him correspondence on nine further occasions between 13 November 2019 and 8 January 2020. This happened after he had made his complaint and it was acknowledged.

Overall, I agree with our adjudicator that Satsuma failed to act in an appropriate and timely manner after Mr P made Satsuma aware of his situation. Satsuma offered to pay £200 – Mr P has declined this sum but looking at everything I think this sum is fair and I've decided not to ask Satsuma to repay any further amount.

As it happened Mr P only took out one loan with Satsuma for a short period. I can see Mr P did tell Satsuma about his health condition after the repayment of this loan was made. As I've explained I think Satsuma's offer to pay a sum of £200 for the distress the further correspondence caused is fair. To reassure Mr P I don't think much interest was paid on this small loan and his credit file would not show any adverse information as he repaid the loan early.

I would also remind Satsuma not to send any more text messages to Mr P unless he is agreeable.

I'm sorry to disappoint Mr P but I don't uphold this complaint about irresponsible lending for this loan, but I ask Satsuma to send Mr P a payment to Mr P for £200 if it hasn't already done so.

My final decision

For the reasons I've set out above, I don't uphold this complaint about irresponsible lending but Provident Personal Credit Limited should send a payment of £200 to Mr P if it hasn't already done so in respect of any trouble and upset it caused when it sent further marketing correspondence against Mr P's wishes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 February 2021.

Nicola Woolf
Ombudsman