

The complaint

Miss P says Provident Personal Credit Limited, trading as Satsuma (“Satsuma”), irresponsibly lent to her. Miss P has said Satsuma didn’t ask her for enough information to find out if the loans were affordable for her. She also says when she contacted Satsuma in January 2020 to discuss her financial difficulty it wasn’t positive or sympathetic in its response. Miss P has struggled with essential household expenses because of the lending. The borrowing has had a significant impact on Miss B, causing her anxiety and stress.

What happened

This complaint is about three short-term loans Satsuma provided to Miss P between June 2017 and September 2019. There are two chains of lending. Miss P’s borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	20/06/2017	02/07/2018	12	£300.00	£49.80
Break in lending					
2	30/06/2019	outstanding	12	£500.00	£83.00
3	03/09/2019	outstanding	12	£500.00	£166.00

Our adjudicator didn’t uphold Miss P’s complaint. For the earlier lending they thought the checks Satsuma had carried out before lending to her were reasonable and the information it obtained wouldn’t have given it any cause to start verifying what it knew. For the later loan, the adjudicator thought that Satsuma should have sought to build a more detailed picture of Miss P’s financial circumstances but from the information provided there was nothing to suggest the lending was unsustainable for her. The adjudicator also said Satsuma did later address the issues regarding its response about her declared financial difficulties.

Miss P didn’t agree with the adjudicator. She says Satsuma should have done more to check her financial situation to see whether the lending was affordable for her particularly between loans two and three which she didn’t consider to be the early stages of lending. The amounts she borrowed had increased and she was in an extremely tight financial situation which caused her significant anxiety. Miss P reiterated that Satsuma did not speak with any empathy when she tried to address her concerns.

As Miss P was unhappy with the adjudicator’s opinion, the complaint was passed to me. I issued my provisional decision explaining that I didn’t think the complaint about the mis-sale should be upheld but that a payment should be paid to Miss P for the service she had received. But I asked everyone to give me anything further they wanted me to consider before I issued my final decision. Here’s what I said:

“I’ll look at Miss P’s complaint in two parts. The first being the unaffordable lending and the second being how Miss P was treated when she told Satsuma of her financial difficulties.

Unaffordable lending

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 P could repay the loan 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 Miss P could sustainably repay her 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 Miss P’s complaint. After doing so, I’ve provisionally decided not to uphold this part of her complaint. I’ll explain why.

I should first say that I agree that there are two chains in lending. There was a break of 11 months between loan one being repaid and loan two being taken. Because of this I don’t think it’s unreasonable for Satsuma to have assumed that Miss P had overcome whatever the financial circumstances were that caused her to take high-cost credit in the first instance. A break in a chain of lending, in effect, this starts the ‘clock ticking’ again on what we would consider to be proportionate checks a business should carry out when taking into account the length of the borrowing relationship with a consumer.

Satsuma has told this service about the checks it carried out before approving the loans. This included gathering information about Miss P's income and expenditure to assess whether the loans were affordable for her. It also included a credit risk assessment and fraud and anti-money laundering checks.

Satsuma asked Miss P about her employment status and she confirmed she was employed and had a monthly income of around £1,300 for loan one and £1,500 for loans two and three. Satsuma also checked Miss P's normal monthly living costs. Miss P declared these to be between £975 and £1,259 (these amounts included the safeguard buffers added by Satsuma and the loan repayment for loan two when loan three was applied for). On this basis, I don't think the loan repayments look unaffordable on a pounds and pence basis based on the information Miss P had declared to Satsuma.

There wasn't anything in the information that Miss P provided which would have given Satsuma cause for concern, so I think it was reasonable of Satsuma to have relied upon what Miss P had declared. I think these factors had an impact on what level of checks would have been appropriate for Satsuma to have carried out. Given these, I think the checks Satsuma did before lending loans one and two went far enough and the checks it carried out showed the loans were affordable. So, I wouldn't have expected for Satsuma at this stage to have undertaken more in-depth checks.

I think the assessments Satsuma did for loans one and two were proportionate. And I think its decision to lend to Miss P wasn't unreasonable.

However, I do appreciate that when Miss P took loan three, loan two was still running and had around another nine months to run. So, Miss P's monthly repayments would increase as well as the amount she was in debt to Satsuma. By having two loans running at the same time could be an indication of Miss P potentially starting to struggle with managing her money.

Satsuma has given us copies of its credit checks for all three of the loans. And they don't show any bankruptcy, county court judgment or any credit accounts in arrears. Miss P has given us copies of bank statements from around the time of the borrowing, and while I can see she was regularly making payments to two debt collections agencies, there is nothing else that could potentially have given Satsuma cause for concern. There were no payments to other short-term credit providers or other debt providers as examples.

So, in this case, I don't think the fact alone that Miss P had two loans running concurrently would lead me to say the borrowing was unaffordable for Miss P. Satsuma's own credit checks and Miss P's bank statements don't indicate the lending was unaffordable for her. As such, I can't safely conclude that Satsuma was wrong to have agreed to lend Miss P at loan three.

I know Miss P will be disappointed with the outcome about whether Satsuma made an error by providing the loans. But I hope my explanation has helped her understand how I've reached the provisional decision that I have.

Financial difficulties

As part of her complaint Miss P says that when she contacted Satsuma about her financial situation in January 2020 its response wasn't sympathetic or positive. The adjudicator who considered Miss P's complaint concluded that Satsuma did address the issues regarding her financial difficulties at a later date.

I wanted to consider this further and we asked Satsuma for a recording of the call but its unavailable. It has been able to provide us with a copy of its representative's call notes which I have reviewed alongside Mrs P's recollection of the call.

In her complaint to us Miss P said she called Satsuma "to try and get some help and inform them of my situation on the 29th January 2020 [only] to be spoken to with no sensitivity and positivity and told no one is available to deal with this, that they would lodge a complaint even though originally I just need someone to talk through my situation with. They didn't ask me any questions about my situation, financial status at the time or how they could help going forward. The phone call lasted 8 minutes and I came off the phone in tears as this took a lot of courage and fear to make that phone call. I sent a letter with my complaint following this to get no response for weeks. I was then told in an email that according to their records they could not see any time I had contacted them about facing financial difficulties or had any communication with them where sensitive or financial struggle was discussed. I wasn't asked or offered any help in this phone call...."

The notes Satsuma has provided about contact with Miss P show an inbound call on 29 January 2020 and which say 'cust adv that she has overcommitted with creditors – advised that she would like the two loans merged together and interest removed so that she can just pay back what she has borrowed. Advised there is nothing we could do to change this so offered a complaint.'

However, it does look like something was done to help Miss P in April 2020 according to Satsuma's records and as recognised by our adjudicator. But I'm of the opinion that Satsuma's representative's notes of the call on 29 January 2020 suggest that Miss P was in financial difficulties and was asking for support with her loan repayments.

I appreciate it may have been the case that the representative couldn't offer to merge the two loans and remove the interest but clearly Miss P's testimony is that this call left her very upset and which suggests to me that the representative wasn't sympathetic or positive. I find Miss P's recollection compelling and she has been consistent in her recollection throughout the complaint process. So, because of this, my current opinion is that Satsuma should recognise the upset that it caused Miss P and I propose to make an award of £75 in recognition of this. This should not be offset against any outstanding balance on Miss P's account. It's a separate issue.

As I've said above, Satsuma offered Miss P a 'breathing space' in April 2020. This may have included a freezing of the interest payable on the outstanding loans or any additional charges – it's not clear from the information I have. But if this was the case, then Satsuma should apply the same conditions to Miss P's account backdated to when she made contact on 29 January 2020 eg removal of any interest or charges incurred between January and April (or similar to whatever action was taken on the account when the 'breathing space' was offered in April) and which might result in a change in the balance due.

So, to put things rights Satsuma needs to;

- Pay Miss P £75 for the upset caused by Satsuma's response to her request for help during the call of 29 January 2020.*
- Backdate any action Satsuma took on the account in April 2020 to 29 January 2020."*

Miss P replied to say that she was disappointed with the outcome about the unaffordable lending but understood my explanation. She was satisfied with my decision about the

unsympathetic approach taken by Satsuma when she contacted it about her financial difficulties.

We didn't hear back from Satsuma.

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.

As Miss P accepted my provisional decision and Satsuma hasn't given me anything more to consider, I see no reason to alter my provisional decision and confirm those findings.

Putting things right

For completeness, I'll repeat what Satsuma needs to do to put the matter right.

To put things rights Satsuma needs to;

- Pay Miss P £75 for the upset caused by Satsuma's response to her request for help during the call of 29 January 2020.
- Backdate any action Satsuma took on the account in April 2020 to 29 January 2020.

My final decision

My final decision is that I don't uphold Miss P's complaint about the lending but make an award of £75 for the response Miss P received when she contacted Satsuma about her financial difficulties. Satsuma should also replicate any action it took to help Miss P in April 2020 and backdated to 29 January 2020.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 1 April 2021.

Catherine Langley
Ombudsman