

complaint

Mr G, represented by a claims management company (CMC), complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent money to him that he couldn't afford to repay.

background

Based on the information provided, Satsuma Loans provided Mr G with six loans between September 2016 and September 2018.

| Loan | Amount | Date | Term | Repaid |
|------|---------|-------------------|-----------|------------------|
| 1 | £100.00 | 24 September 2016 | 13 Weeks | 26 December 2016 |
| 2 | £600.00 | 27 May 2017 | 6 Months | 20 June 2017 |
| 3 | £700.00 | 1 July 2017 | 9 Months | 28 April 2018 |
| 4 | £750.00 | 10 October 2017 | 10 Months | 10 May 2018 |
| 5 | £500.00 | 16 July 2018 | 6 Months | 30 August 2018 |
| 6 | £400.00 | 15 September 2018 | 12 Months | outstanding |

Mr G says that at the time of the loans he was in a debt spiral. He says the loans were unaffordable and that adequate checks weren't carried out before the loans were provided.

Satsuma Loans says that Mr G confirmed at the point of application that the repayments were sustainable and affordable. It says that it gathered information about Mr G's income and expenses as well as comparing the information to external data sources. It also carried out credit checks. Satsuma Loans says that based on its check the loans were provided responsibly.

Our adjudicator partially upheld this complaint. She didn't think she had enough to say that loans one to four shouldn't have been provided. However she thought that by the time loan five was provided, Mr G's borrowing pattern suggested he had become persistently reliant on short-term loans.

Satsuma Loans responded to our adjudicator's view. It said that although Mr G applied for four loans in 2017 only three were granted. It said that although the amounts borrowed did increase over the first few loans, the amount borrowed in loans five and six decreased. It also said that the loans were repaid on time.

my findings

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 Loans 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 G 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 Loans should fairly and reasonably have done more to establish that any lending was sustainable for a 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.

I think that it is important for me to start by saying that Satsuma Loans was required to establish whether Mr G 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 Consumer Credit Sourcebook ("CONC"), 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 carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr G's complaint.

Our adjudicator didn't think she had enough to say that loans one to four shouldn't have been provided. I have looked through the information and I agree with this.

However by the time the fifth loan was provided, Mr G had been borrowing from Satsuma Loans for around 22 months. His first four loans all increased in amounts. While I note there were some gaps in his borrowing I don't think it would have been reasonable for Satsuma Loans to conclude these were any indication that Mr G's finances had moved on from whatever situation had required his previous loans.

The fifth and sixth loans were for amounts lower than loans two to four. However, I don't think this showed Mr G was getting his debt under control. On balance I find that Mr G's pattern of borrowing by loan five should have raised concerns. I think it suggested he wasn't managing his money and had become reliant on short term loans. Because of this I uphold this complaint in regard to loans five and six.

my final decision

My final decision is that I uphold this complaint in regard to loans five and six. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- refund all interest and charges that Mr G paid on loans five and six;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- write off unpaid interest on loan six and apply the refund towards the outstanding balance and pay the remaining to Mr G;
- the number of loans taken from loan five means any information recorded about them is adverse. So all entries about the loans five and six should be removed from Mr G's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 30 October 2019.

Jane Archer
ombudsman