

## **complaint**

Mr P's complaint is about three instalment loans he took with Provident Personal Credit Limited – trading as Satsuma. Mr P's complaint has been brought by his mother – Mrs B.

## **background**

Satsuma provided Mr P with three instalment loans between September 2016 and December 2017. Our adjudicator thought Satsuma hadn't done anything wrong when providing Mr P with the first loan. But they thought that Satsuma shouldn't have provided loans 2 and 3 to Mr P. So, they partially upheld Mr P's complaint.

Satsuma accepted our adjudicator's view. But Mrs B disagreed on Mr P's behalf. Mrs B has explained that she emailed and rang Satsuma to explain about Mr P's financial situation and offered to pay off loan 1 in a payment plan in February 2017 – before loans 2 and 3 were taken out. She is unhappy that Satsuma then lent to Mr P a further two times after this. She has said that the offer to refund the interest and charges isn't good enough to resolve the complaint.

As the complaint hasn't been resolved, it has been passed to me.

## **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 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 consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 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 the arguments, evidence and information provided in this context and what this all means for Mr P's complaint.

Our adjudicator didn't uphold Mr P's complaint about loan 1. Mr P hasn't responded directly to us about the adjudicator's opinion, so it appears this loan is no longer in dispute. So, I won't make any further findings on this loan.

Satsuma agreed with our adjudicator's findings that loans 2 and 3 shouldn't have been lent. Looking at what the adjudicator said, I agree with their rationale for why these loans weren't suitable for Mr P. So, all that's left for me to decide on is what Satsuma needs to do to put things right.

Before reaching me, Mr P's complaint was looked at again by another one of our adjudicators. They asked both Satsuma and Mrs B to provide notes and emails from around the time Mrs B contacted Satsuma about Mr P's borrowing on loan 1. Satsuma has provided its notes and I can see that Mr P informed Satsuma that Mrs B would be communicating with it going forward but there doesn't seem to be any information in Satsuma's records about the details of Mr P's financial situation.

We've not had a response from Mrs B or Mr P about the emails Mrs B says she sent Satsuma in February 2017 about the reasons why Mr P was struggling financially. So, without any further information, and having carefully thought about everything, I'm satisfied that what Satsuma has already agreed to do (in terms of putting things right for loans 2 and 3) is fair and reasonable in all the circumstances of Mr P's case.

### **my final decision**

For the reasons explained above, I think what Provident Personal Credit Limited has already agreed to do to put things right for Mr P is fair and reasonable in the circumstances of the complaint and I don't ask it to do any more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 March 2020.

Claire Marchant-Williams  
**ombudsman**