

complaint

Mr F, represented by a third party, 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 F with eight loans between March 2016 and March 2018.

Loan	Amount	Date	Repaid
1	£280	07-Mar-16	10-Jun-16
2	£180	12-Aug-16	11-Nov-16
3	£200	07-Oct-16	07-Jan-17
4	£100	17-Nov-16	17-Feb-17
5	£210	16-Mar-17	01-Jul-17
6	£330	27-Jul-17	18-Dec-17
7	£100	28-Oct-17	02-Feb-18
8	£300	23-Mar-18	05-Aug-18

Mr F says that he took out a small loan that then spiralled into a cycle of dependency. He says that proper checks weren't carried out to ensure he could afford the loans and had they been Satsuma Loans would have seen he had other debts.

Satsuma Loans says that at the time of the loans there was no indication that the repayments weren't affordable for Mr F. It gathered information about Mr F's income and expenses and carried out credit checks and says based on this information the loans were affordable.

Our adjudicator said that she hadn't seen enough to say that loans one to four shouldn't have been provided. However she thought that by the time the fifth loan was provided Satsuma Loans should have carried out further checks to ensure the lending was sustainable. Had this happened she said Satsuma Loans would have realised Mr F was having problems managing his money.

By the time the sixth loan was provided our adjudicator thought Mr F's pattern of borrowing showed he had become persistently reliant on short-term loans. She recommended that the interest and charges be refunded on loans five to eight and that Mr F's credit file was amended in regard to these loans.

Satsuma Loans didn't accept our adjudicator's view and so this complaint has been passed to me, an ombudsman, to issue a decision.

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

F 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 F 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 F's complaint.

Before the loans were provided information was gathered on Mr F's income and expenses and credit checks were carried out. Our adjudicator said that she hadn't seen enough to say that the first four loans shouldn't have been provided. Based on the information I have seen I agree with this.

Our adjudicator upheld loan five saying that further checks should have taken place before this loan was provided. As this was the fifth loan I agree that Satsuma Loans should have carried out further checks to ensure that the loan was sustainably affordable. Had these taken place it would have realised that Mr F had other short term loans outstanding at the time. I think this, combined with the timing of Mr F's previous loans shows that he was struggling to manage his money. Because of this I don't think this loan should have been considered sustainably affordable.

By the time loan six was provided, Mr F had been borrowing from Satsuma Loans over an extended period. He had taken out six loans in around 16 months and the amounts he was

borrowing weren't reducing. Mr F was taking new loans out shortly after, or even before, repaying previous loans. Given this I think that by loan six Mr F's pattern of borrowing showed he was persistently reliant on short term loans and I don't think that Satsuma Loans should have considered loan six and subsequent loans as being sustainably affordable..

my final decision

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

- refund all interest and charges Mr F paid on loans five to eight;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- any adverse information regarding loan five should be removed from Mr F's credit file;
- the number of loans taken from loan six means any information recorded about them is adverse. So all entries from loan six onwards should be removed from Mr F's credit file.

*HMRC requires Provident Personal Credit Limited (trading as Satsuma Loans) to take off tax from this interest. If Mr F asks for a certificate showing how much tax has been taken off, this should be provided.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 10 November 2019.

Jane Archer
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