

## **complaint**

Miss W has complained about a short-term loan she took out with Provident Personal Credit Limited (trading as Satsuma Loans) in July 2017. She says it was irresponsible for Satsuma to give her the loan.

## **background**

I attach my provisional decision of 21 May 2018, which forms part of this final decision and should be read in conjunction with it. In my provisional decision I explained why I was intending to uphold Miss W's complaint. I invited both parties to provide any further comments they may have had before I reached a final decision.

Both Satsuma and Miss W responded confirming they agreed with my provisional decision and had nothing further to add.

## **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm pleased to see that Satsuma has accepted my provisional decision. And as neither party has disputed my findings or asked me to look at anything else, I see no reason to alter the conclusions I reached in my provisional decision of 21 May 2018.

## **my final decision**

For the reasons set out above and in my provisional decision of 21 May 2018, I'm partially upholding Miss W's complaint.

Provident Personal Credit Limited (trading as "Satsuma") should write off the outstanding balance on Miss W's loan in the way I set out in my provisional decision of 21 May 2018.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss W to accept or reject my decision before 1 July 2018.

Jeshen Narayanan  
**ombudsman**

## **COPY OF PROVISIONAL DECISION**

### **complaint**

Miss W has complained about a short-term loan she took out with Provident Personal Credit Limited (trading as “Satsuma”) in July 2017. She says it was irresponsible for Satsuma to give her the loan.

### **background**

One of our investigators looked at what Satsuma and Miss W said. She thought Satsuma had carried out proportionate checks before giving Miss W her loan. And so didn't uphold the complaint. Miss W disagreed and asked for an ombudsman to review her complaint.

### **my provisional findings**

I've considered all the available evidence and arguments to provisionally decide what's fair and reasonable in the circumstances of this complaint. We've explained how we handle complaints about short-term lending on our website. And I've used this approach to help me decide Miss W's complaint.

Having carefully thought about everything I've been provided with, I'm intending to uphold Miss W's complaint. I'd like to explain the reasons for my provisional decision.

When lending money to a consumer a lender should take proportionate steps to ensure a consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation. A lender should gather enough information so that it can make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But any checks need to be proportionate and should take into account a number of things, including things such as how much is being lent and when what's being borrowed is due to be repaid.

Satsuma says Miss W was asked to confirm details of her income and expenditure when she applied for her loan. And the information Miss W provided suggested she had enough disposable income to be able to repay this loan. Satsuma also carried out a credit check on Miss W, which it says didn't show anything to suggest the income and expenditure information Miss W provided was inaccurate or that she might have been experiencing financial difficulty. Satsuma says it was reasonable to give Miss W her loan based on this information.

I've carefully thought about what Satsuma has said. I want to start by saying that I agree where there's no obvious reason for it to do so and where it would be disproportionate to, I wouldn't expect a lender to question the information a consumer has provided. This is especially the case where a consumer doesn't have much in the way of a previous borrowing history with a lender. And where that's the case, I think it's perfectly reasonable for a lender to accept the information provided at face value.

But in this instance, what Satsuma knew about Miss W by the time of this loan means I think it had reason to question the information provided. To explain, this wasn't Miss W's first loan with Satsuma. She'd taken a number of loans – albeit with breaks between repayment and a subsequent application – with Satsuma previously. And Miss W was given this loan *after* she'd already made a complaint about Satsuma having irresponsibly given her previous loans as its checks ought to have picked up the fact that she couldn't afford to repay them.

As this application was only made a mere matter of weeks after her previous irresponsible lending complaint had been resolved, I think that Satsuma should've questioned the income and expenditure

information Miss W provided. In these circumstances, I think that proportionate checks not only required Satsuma to ask Miss W about her income and expenditure.

Given the circumstances of the previous complaint, I think that proportionate checks would've extended into verifying the income and expenditure information Miss W provided. Satsuma could've done this by asking for things such as bank statements, or utility bills or even evidence of Miss W's income.

I also think that Satsuma had reason to question the information it saw in the credit check it carried out. The information Satsuma has provided suggests its credit search showed that Miss W hadn't taken any short-term loans in the previous seventeen months. But Satsuma ought to have realised that this information was inaccurate, given Miss W had had three such loans with it during the seventeen month period concerned.

So as Satsuma ought to have realised that this information was incorrect, I don't think that it was reasonable or proportionate for it to rely on this. And it needed to take steps to clarify the discrepancy and verify what Miss W's existing commitments were.

Overall having carefully thought about everything provided, I think that Satsuma's failure to properly scrutinise the information it obtained meant that it failed to carry out proportionate checks before agreeing to give Miss W her loan.

I think that if Satsuma had properly scrutinised the information provided and taken steps to verify and correct what it had (and so had carried out proportionate checks) it would've seen that Miss W simply wasn't in a position to take on this loan. I say this because I think that proportionate checks would've alerted Satsuma to the fact that Miss W had taken out far more short-term lending than its credit check showed. It would've learnt that Miss W already had an outstanding short-term loan, with overdue payments, with another provider.

I also think that proportionate checks would've led Satsuma to realise that Miss W was becoming increasingly dependent on short-term lending and other forms of unsustainable borrowing to meet her day to day commitments as well as repay similar loans with other lenders.

So overall I think proportionate checks would've clearly shown Satsuma Miss W was unlikely to be able to repay what she was borrowing let alone the interest due in a sustainable manner – without undue difficulty. And so she wasn't in a position to be able to take on this loan. As Miss W went on to pay interest and charges on a loan she shouldn't have been given, I also think she lost out as a result. As this is the case, I think Satsuma needs to put things right.

#### **fair compensation – what I'm intending to say Satsuma needs to do**

I've given careful thought to what amounts to fair compensation in this case. In cases where we think a loan shouldn't have been given to a consumer we usually tell a lender to refund all of the interest and charges the consumer paid on that loan. And we'd normally expect a consumer to repay the amount they initially borrowed. But, given the particular circumstances of this case, I think there are good reasons for departing from our usual approach here.

The information provided suggests Satsuma accepts Miss W is currently experiencing financial difficulty. And Satsuma will be aware of its obligation to treat Miss W positively and sympathetically as she's experiencing financial difficulty. Given what I've been told, I think that Miss W is unlikely to be able to make any further payments to this loan without suffering further financial hardship.

I'm also mindful that Miss W's finances, at the time she was given this loan, appear to have been so distressed she was unlikely to have been able to repay what she was borrowing even if she'd been charged no interest. In other words, she's unlikely to have been able repay the capital itself – without unsustainably borrowing further from somewhere – let alone the interest.

So given the particular circumstances of Miss W's case, I don't think a restructure of the outstanding balance to remove any interest and charges goes far enough. Instead, in this case, I think the fair and reasonable thing for Satsuma to do is to write off the outstanding balance remaining. As Satsuma will be writing off capital, I'm not going to ask it to amend Miss W's credit file or to pay her any compensation. As far as I can see there are no interest and charges (on the loan I've looked at), which have been paid, to refund to Miss W.

**my provisional decision**

For the reasons I've explained, I'm intending to uphold Miss W's complaint and tell Provident Personal Credit Limited (trading as "Satsuma") to put things right as set out above.

So unless the comments and evidence I get by 4 June 2018 changes my mind, that's what I'll tell Satsuma to do in my final decision.

Jeshen Narayanan  
**ombudsman**