

complaint

Mr B complained about a loan he took out through a company called Provident Personal Credit Limited, trading as "Satsuma". Mr B says he was lent to irresponsibly and the loan caused him financial problems.

To keep things simple I'll refer mainly to Satsuma throughout this decision.

background

We now know that Mr B took out 1 loan from Satsuma in December 2017. I've enclosed a summary of Mr B's borrowing with Satsuma, based on the information it provided to us. It can be found in the appendix at the end of this decision.

One of our adjudicators has looked into the complaint and said they thought it should be upheld. Satsuma didn't reply so I've been asked to make an ombudsman's final 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. I've followed this approach when thinking about Mr B's complaint.

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 that Mr B could repay the loan he was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Satsuma should have fairly and reasonably done more to establish that any lending was sustainable for the 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've carefully considered all of these things and what they mean for Mr B's complaint.

Satsuma told us it carried out certain checks before agreeing to lend to Mr B, including assessing his income, expenditure and creditworthiness. It says that based on what was

said, this information showed that Mr B would be able to make the loan repayments he was committing to.

But I'm afraid I don't agree and I think there's enough evidence to uphold his complaint.

This is because we know that Mr B had previously applied for a Satsuma loan in the summer of 2017. This application wasn't proceeded with because it was discovered by the financial checks Satsuma seems to have carried out that Mr B was experiencing financial difficulties. For example, Mr B had been placed in an individual voluntary arrangement (IVA) to help him manage his outstanding debts. And to get into that situation, it's well known that financial difficulties are apparent.

By the time Mr B made *this* application to Satsuma in December 2017 Mr B's financial problems still weren't resolved, so I think any reasonable assessment would show that lending him money wasn't a good idea. He was still in the IVA. I therefore find Satsuma's lending to Mr B to have been irresponsible. It was clear he had problems managing money and these problems were still current at the time of the December 2017 loan. Satsuma should have researched its own records and concluded that the lending wasn't safe.

putting things right

In order to put things right for Mr B, Satsuma should:

- refund all interest and charges Mr B paid to the loan;
- pay interest of 8% simple a year on any refunded interest and charges from the date it was paid (if it was) to the date of settlement†;
- remove any interest and charges still outstanding on the loan and treat any payments Mr B made towards this loan as payments towards the capital;
- if reworking Mr B's loan account as I've directed results in Mr B effectively having made payments above the original capital borrowed, then Satsuma should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement†;
- If reworking Mr B's loan account leaves an amount of capital still to be paid, then Satsuma can use the total refund to offset this. And if there is still an outstanding capital balance then I would remind Satsuma that it should take a sympathetic view when seeking to agree an affordable repayment plan with Mr B for the remaining capital.
- remove any adverse information recorded on Mr B's credit file in relation the loan.

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

my final decision

For the reasons set out above, I uphold this complaint. And I direct Provident Personal Credit Limited to pay Mr B the compensation above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 27 June 2020.

Michael Campbell
ombudsman

Appendix

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	11/12/2017	Unknown	6	£300.00	£94.80