

**complaint**

Mr F complains that Provident Personal Credit Limited (trading as Satsuma Loans) was irresponsible to lend to him.

**background**

Mr F had four loans from Satsuma between November 2016 and August 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	21 Nov 2016	£600	12m	£99.60	28 Nov 2017	26 May 2017
2	23 Mar 2017	£300	12m	£149.40*	28 Mar 2018	30 May 2017
3	31 May 2017	£1,000	6m	£316.00	28 Nov 2017	25 Aug 2017
4	29 Aug 2017	£1,500	12m	£249.00	28 Aug 2018	31 Jan 2018

\* Total scheduled monthly repayment taking into account overlapping loans

Mr F says he borrowed from Satsuma to repay other creditors, but he could not afford the repayments. He says Satsuma should have done better checks as he ended up in a cycle of debt which affected his mental health.

Satsuma says it asked Mr F for information about his income and expenditure and checked his credit file. It says it increased Mr F's expenditure figure based on the information it found, but that the repayments were still affordable to him.

Our adjudicator recommended the complaint should be upheld. She considered that, by loan 3, proportionate checks would have shown Mr F was having problems managing his money. She said Satsuma should refund interest and charges on loans 3 and 4, and remove any associated negative information from Mr F's credit file.

Satsuma responded to say, in summary, that it didn't agree that Mr F was showing signs he was struggling financially. It said the loan repayments were made on time and that the loans were all repaid early. It added that the affordability assessment indicated the loans were affordable.

**my findings**

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

Satsuma was required to lend responsibly. It should have made checks to make sure Mr F could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr F was borrowing, and his lending history. But there was no set list of checks Satsuma had to do.

Loans 1 and 2

I'm satisfied Satsuma did proportionate checks for these loans. The repayments were a small proportion of Mr F's declared income and Satsuma's assessment showed Mr F would have had almost £200 per month left after making the repayments. I can't see there was anything else in the available information that should have suggested the loans were unaffordable.

Loan 3

When Mr F applied for loan 3, he'd only just repaid loan 2 and he was applying for significantly more money. I can see Satsuma asked about his income and expenditure and checked Mr F's credit file, but I consider a proportionate check should have included asking him whether he had any other short-term loans. I can't see Satsuma did this, so I've had a look to see what it's likely to have found.

When Mr F applied for loan 3 he had outstanding balances with at least four other short-term loan providers and his payments to such accounts in June 2017 exceeded the income he'd declared of £1,413. Given that Satsuma's own affordability assessment calculated Mr F had little more than £50 per month left after making the loan 3 repayments, I'm satisfied it would have found the loan was unaffordable had it carried out proportionate checks.

#### Loan 4

Again, Satsuma's own checks showed Mr F to have around £70 per month left after making the repayments on loan 4. As the loan was for a term of 12 months, I consider that, alone, indicated the repayments were likely to be unsustainable for Mr F. But proportionate checks would have shown Mr F continued to owe money to other short-term loan providers and could not sustainably make the repayments on loan 4.

#### **my final decision**

My decision is that I uphold this complaint. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- Refund all interest and charges that Mr F paid on loans 3 and 4;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Remove any negative information about loans 3 and 4 from Mr F's credit file.

\*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr F 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 F to accept or reject my decision before 10 January 2020.

Amanda Williams  
**ombudsman**