

complaint

Miss G complains about three instalment loans that she took out with Provident Personal Credit Limited, trading as Satsuma Loans, ("SL"), which she said were unaffordable.

background

Miss G was given three instalment loans by SL from January 2015 to May 2018. A summary of the loans taken out by Miss G is shown below:

Loan number	Date of loan	Repayment date	Loan amount	Repayment amounts
1.	2/1/15	29/6/15	£100	26 weekly repayments of £6.46 (around £27.99 per month)
2.	15/4/15	28/10/15	£100	6 monthly repayments of £28.33
3.	17/5/18	Unpaid?	£1,000	12 monthly repayments of £166

our adjudicator's view

The adjudicator didn't recommend that the complaint should be upheld.

Miss G disagreed and said that SL had put Loan 1 in the wrong name. It had used her surname as her first name and her first name as her surname. And she said that if SL had carried out a proper credit check on her later loans, it would have seen defaults on other loans. She owed over £70,000 on the defaulted loans. Miss G also said that another case of hers with this service had been upheld and she didn't understand why this case wasn't being upheld.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss G and to SL on 3 September 2019. I summarise my findings:

I'd noted that Miss G had said that Loan 1 was put in an incorrect name. But I didn't think there was any issue with my dealing with Loan 1 in this complaint. I thought both Miss G and SL had appeared to accept that Loan 1 as well as Miss G's other two loans were an accurate reflection of their relationship.

I'd also noted that Miss G had referred to another of her complaints with this service. But I said that we assessed each complaint on its own merits. And it wasn't always appropriate to compare the outcomes of each complaint without a detailed understanding of the specific facts of each complaint.

I explained that when SL lent to Miss G the regulator was the Financial Conduct Authority (FCA) and relevant regulations and guidance included its Consumer Credit Sourcebook (CONC). The CONC contained guidance for lenders about responsible lending.

I said that SL needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this meant that it should have carried out proportionate checks to make sure Miss G 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 thought less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that SL should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors included:

- 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 had been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There might even come a point where the lending history and pattern of lending itself clearly demonstrated that the lending was unsustainable.

I thought it was important to say that SL was required to establish whether Miss G could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

I explained that the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it didn't automatically follow this was the case. This was because the CONC defined sustainable as being without undue difficulties and in particular the consumer should be able to make repayments, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it followed that a lender should realise, or it ought fairly and reasonably to realise, that a borrower wouldn't be able to make their repayments sustainably if they were unlikely to be able to make their repayments without borrowing further.

I'd carefully considered all of the arguments, evidence and information provided in this context and what this all meant for Miss G's complaint.

SL had made a number of checks before it lent to Miss G. It had asked her for details of her income and expenditure. Miss G had declared her monthly income as £2,146 and her expenditure as £725 before Loan 1, her income as £2,500 with expenditure of £750 before Loan 2, and income of £3,400 and expenditure of £2,625 before Loan 3. And SL had increased Miss G's declared expenditure in its assessments of Loans 1 and 2 to reflect what it had seen in its credit checks and internal models. I could also see that SL had checked Miss G's housing status. From the information SL gathered, I could see that Miss G paid rent.

I'd noted that SL had checked Miss G's credit file before agreeing to the loans. It said that the checks it had conducted didn't demonstrate that the loans weren't affordable or sustainable at the time of application.

I'd asked the adjudicator to ask SL to provide this service with a copy of its credit checks. It hadn't provided these

Miss G had provided this service with a copy of her credit report. I could see that in the year before Loan 1, she had around nine defaulted accounts with outstanding balances totalling around £77,000. But because the application for Loan 1 appeared to have been progressed in an incorrect name (and I didn't know the reason for this), I couldn't be sure that SL would have had a full record of Miss G's other credit commitments.

But even if SL had been aware of the defaulted accounts and had consequently asked Miss G about her other short term borrowing, I thought it was likely that SL would've learnt that Miss G had two outstanding short term loans with other lenders with monthly repayments totalling around £110. I'd seen these on Miss G's credit report. I didn't think the extent of the other short term borrowing I'd seen was such that it would have put SL on notice that Miss G was having problems managing her money. So, I didn't think SL had done anything wrong in giving Loan 1 to Miss G.

I could see from Miss G's credit report that in the year before Loan 2, there were around five defaulted accounts with balances totalling around £36,000. Miss G's application was now in her correct name. And, on balance, I thought it was likely that SL's credit checks would have revealed Miss G's defaulted accounts. So, it might have been proportionate at this time for SL to have gathered some further information from her about her other short term loans. Had it done so, I thought it was likely that SL would've learnt that Miss G had around six outstanding other short term loans with repayments due at the same time as the repayments on Loan 2. I could see these on Miss G's own credit report. I thought that the number of Miss G's outstanding short term loans showed that Miss G was having serious problems managing her money and that SL's loan wasn't likely to be sustainable. So I thought it was wrong for SL to have given Loan 2 to Miss G.

I noted that there was a gap of around 31 months between Miss G repaying Loan 2 and asking to borrow again. I thought it was reasonable for SL to have considered that gap in lending as an indication that Miss G wasn't reliant on its loans. So Loan 3 was the first loan in a new chain of lending.

I thought the repayment amounts for Loan 3 were relatively modest compared to the income that Miss G had declared to SL. And I noted that SL hadn't added any additional amount to Miss G's declared expenditure. So I thought it was likely that its checks hadn't revealed other commitments which might have prompted further checks. So given Miss G's repayment amounts, what was apparent about her circumstances at the time, and her history with the lender, I didn't think it would've been proportionate for SL to have asked her for the amount of information that would have been needed to show the lending was unsustainable.

And I'd said that there wasn't anything in the information Miss G had provided before Loan 3 or the information SL should've been aware of, which meant it would've been proportionate to start verifying what she was saying. So I didn't think SL was wrong to give Loan 3 to Miss G.

Subject to any further representations by Miss G or SL my provisional decision was that I intended to uphold this complaint in part. I intended to order SL to:

- refund all interest and charges Miss G paid on Loan 2 and pay interest of 8% simple a year on such refunded interest and charges from the date they were paid to the date of settlement*;
- apply the refunds referred to above to reduce any capital outstanding on Loan 3 and pay any balance to Miss G; and

- Remove any adverse entries about Loan 2 from Miss G's credit file.

*HM Revenue & Customs requires SL to take off tax from this interest. SL must give Miss G a certificate showing how much tax it's taken off if she asks for one. If SL intends to apply the refunds to reduce any outstanding capital balances, it must do so after deducting the tax.

Miss G responded to my provisional decision to say that she accepted it and had nothing to add. SL didn't respond to my provisional 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.

Given that Miss G and SL have given me nothing further to consider, I see no reason to depart from the conclusions I reached in my provisional decision. It follows that I uphold part of the complaint and require SL to pay Miss G some compensation as set out below.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement of this complaint, I order Provident Personal Credit Limited, trading as Satsuma Loans, to:

1. Refund all interest and charges Miss G paid on Loan 2;
2. Pay interest of 8% simple a year on such refunded interest and charges from the date they were paid to the date of settlement*;
3. Apply the refunds referred to above to reduce any capital outstanding on Loan 3 and pay any balance to Miss G; and
4. Remove any adverse entries about Loan 2 from Miss G's credit file.

*HM Revenue & Customs requires SL to take off tax from this interest. SL must give Miss G a certificate showing how much tax it's taken off if she asks for one. If SL intends to apply the refunds to reduce any outstanding capital balances, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 8 November 2019.

Roslyn Rawson
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