

complaint

Mr B says Provident Personal Credit Limited (trading as Satsuma Loans) irresponsibly lent to him.

background

This complaint is about 11 instalment loans Satsuma provided to Mr B between January 2016 and June 2017. This is a summary of Mr B's lending history from Satsuma.

Loan	Taken out	Repaid	Amount, £
1	26/01/2016	18/03/2016	500
2	09/06/2016	24/06/2016	340
3	08/07/2016	08/08/2016	400
4	10/08/2016	25/08/2016	460
5	09/09/2016	23/09/2016	390
6	10/10/2016	11/11/2016	390
7	12/11/2016	25/11/2016	110
8	12/04/2017	25/04/2017	320
9	30/04/2017	06/05/2017	460
10	12/05/2017	25/05/2017	1000
11	11/06/2017	23/06/2017	780

Our adjudicator upheld Mr B's complaint in part and thought loans 6 to 11 shouldn't have been given. Satsuma didn't respond to the adjudicator's view; the complaint has been passed to me to make a 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.

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 Mr B 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 should fairly and reasonably have 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 think that it is important for me to start by saying that Satsuma was required to establish whether Mr B 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 B's complaint.

I agree with the adjudicator, and for the same reasons, that there was nothing to indicate Satsuma needed to do more when it approved loans 1 to 3. And whilst I think it should have carried out more checks for loans 4 and 5, I haven't seen any evidence that better information would have made a difference to its lending decisions. So I can't conclude Satsuma was wrong to give loans 1 to 5 to Mr B.

I've then looked at the overall pattern of Satsuma's lending history with Mr B, with a view to seeing if there was a point at which Satsuma should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Satsuma should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr B's case, I think that this point was reached at loan 6. I say this because:

- At this point Satsuma ought to have realised Mr B was not managing to repay his loans sustainably. Mr B had taken out six loans in under nine months, typically borrowing within days of repaying a previous loan. So Satsuma ought to have realised it was more likely than not Mr B was having to borrow further to cover the hole repaying previous loan(s) was leaving in his finances and that Mr B's indebtedness was increasing unsustainably.
- From loan 6 onwards Mr B was provided with a new loan within weeks of settling a previous one.

- Mr B wasn't making any real inroads to the amount he owed Satsuma. Loan 11 was taken out 17 months after his first loan. And it was for larger amount. Mr B had paid large amounts of interest to, in effect, service a debt to Satsuma over an extended period.
- The loans were instalment loans, with between three to 12-month terms. But Mr B frequently repaid his loan in the same month that he'd taken it out. This isn't how instalment loans should usually work. I think this pattern of lending should have alerted Satsuma to the likelihood that Mr B was having problems managing his money. I think that Satsuma should've been concerned that Mr B might be borrowing elsewhere to repay its loans, again increasing his indebtedness unsustainably.

I think that Mr B lost out because Satsuma provided loans 6 to 11 because:

- these loans had the effect of unfairly prolonging Mr B's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time.
- giving these loans was likely to have had negative implications on Mr B's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm upholding the complaint about loans 6 to 11, and Satsuma should put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Mr B paid on loans 6 to 11;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- the number of loans taken from loan 6 means any information recorded about loans 6 to 11 is adverse, so the entries about loans 6 to 11 should be removed from Mr B's credit file.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma 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 given above, I'm partially upholding Mr B's complaint. Provident Personal Credit Limited (trading as Satsuma) should pay Mr B compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 December 2019.

Rebecca Connelley
ombudsman