

## complaint

Mr S complained about a number of loans he took out through a company called Provident Personal Credit Limited, trading at the time as "Satsuma". Mr S says he was lent to irresponsibly and the loans caused him financial problems.

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

## background

We now know that Mr S took out 6 instalment loans from Satsuma between February 2016 and January 2019. I note there was a significant break in the borrowing between loans 5 and 6. I've enclosed a summary of Mr S'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.

Most recently, one of our adjudicators looked into the complaint and said they thought it should be upheld in respect of loan numbers 3, 4 and 5. We haven't had a response from Satsuma 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 S'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 S could repay all the loans 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 or pattern of lending itself clearly demonstrates that the lending was unsustainable. So, Satsuma was required to establish

whether Mr S could sustainably repay the loans; not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, a loan being affordable on this basis *might* be an indication that Mr S could sustainably make the repayments. But it doesn't automatically follow that this is the case. This is because the relevant regulations define 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. So, it follows that a lender should realise, or it ought to have fairly and reasonably realised, that a borrower won't be able to make their repayments sustainably if they are unlikely to be able to make them without borrowing further.

Satsuma told us it carried out certain affordability and credit checks before agreeing to lend to Mr S including assessing his income, expenditure and creditworthiness. It says that this information showed that he would be able to make the loan repayments he was committing to. I've thought about this and also looked at the overall pattern of lending history 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. I've considered whether, at some point, Satsuma should have realised that it shouldn't have provided any further loans to Mr S.

Taking account of what I've said above about the length of the lending relationship, and applying it to the circumstances of loans 1 and 2, I don't think it's clear enough that Satsuma would have determined that loans 1 and 2 were unaffordable for Mr S. I accept he may have already been finding managing his money quite difficult at this point, however there's no clear record that the type or depth of credit checks carried out at that time would have exposed such issues. So I'm afraid I don't agree there's clear enough evidence to say Satsuma knew its lending was unsustainable for loans 1 and 2. I therefore don't uphold this part of the complaint.

However, I think from the point of loan number 3, the situation was different and the types of checks Satsuma ought to have carried out should have been much more comprehensive. That's because by that point there were some clear indications that lending more money to Mr S was risky. He'd had, for example, various problems with paying his previous Satsuma loan instalments on time. He was also seeking to borrow for loan 3, whilst loan 2 was still outstanding and this was adding £500 more to his overall Satsuma debt. This means his monthly repayments were also increasing by quite a bit and Satsuma agreed to extend his loan repayment time from 26 weeks to 52, meaning he'd potentially be in debt much longer.

To safely lend at the point of loans 3 - 5 therefore, much more detailed financial checks were called for. But there's no evidence that Satsuma altered its lending approach. Had it done so however, more detailed checks would have revealed Mr S was very frequently gambling and quite obviously having difficulty managing money. In short, the checks would have revealed that lending him more money was the wrong thing to do. Our experience of short-term lending tells us that consumers who have difficulty managing their money in this way are less likely to be able to sustainably repay a loan. With this information, Satsuma ought not to have lent him the money for the loans 3, 4 and 5. I don't think it was responsible to do so.

In addition to the above, specifically for loan number 5, there was an additional and clear pattern of repeated lending evident in my view. There was an obvious dependency on high-interest, short-term lending evidenced by this, Mr S's fifth loan in 18 months. So I'm also upholding Mr S's complaint in respect of loan 5 as Satsuma repeatedly lent to him in an unsustainable manner because:

- loan 5 had the effect of unfairly prolonging Mr S’s indebtedness by allowing him to take expensive credit intended for short-term use, over an extended time period; and
- the length of time over which Mr S borrowed was likely to have had negative implications on his ability to access mainstream credit and so kept him in the market for these high-cost loans.

Finally, for loan number 6, as I’ve said this was a new lending ‘chain’ because there had been a significant gap in time. In accordance with our normal approach, I revert to what I’ve said about the justification for less thorough checks in the early part of a lending relationship. Given the income Mr S himself declared, this loan probably looked affordable and so I don’t uphold this part of his complaint.

**putting things right**

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

- refund all interest and charges Mr S paid on loans 3, 4 and 5;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†
- remove any adverse information recorded on Mr S’s credit file in relation to loans 3 and 4.
- loan 5 meant any information recorded about it is adverse. So all entries about loan 5 should be completely removed from Mr S’s credit file.

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

**my final decision**

I partially uphold Mr S’s complaint and direct Provident Personal Credit Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 9 May 2020.

Michael Campbell  
**ombudsman**

*Appendix*

	Amount	Taken Out	Closed
1	£400.00	10/02/16	19/05/16
2	£500.00	28/05/16	01/11/16
3	£500.00	05/08/16	28/02/17
4	£300.00	07/03/17	30/09/17

5	£500.00	03/08/17	30/04/18
		Gap	
6	£300.00	01/01/19	18/03/19