

complaint

Mrs B says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to her.

background

This complaint is about four instalment loans Satsuma provided to Mrs B between January 2018 and June 2018. Details of these five loans are as follows:

Loan	Taken	Repaid	Instalments	Amount	monthly repayment
1	10/01/2018	10/01/2018	12 monthly	900	149.40
2	13/01/2018	outstanding	52 weekly	1000	165.84
3	01/03/2018	24/05/2018	30 weekly	200	57.50
4	29/05/2018	06/06/2018	52 weekly	400	66.34
5	26/06/2018	outstanding	52 weekly	800	132.69

Our adjudicator upheld Mrs B's complaint in part and thought loan five shouldn't have been given. She concluded that by loan five it would have become clear to Satsuma that Mrs B was struggling to repay her loans. So she felt it shouldn't have given this loan to her.

Satsuma agreed with our adjudicator's recommendations and offered to put things right with regards to loan five. Mrs B turned down Satsuma's offer and said that all interest and charges for the loans should be given back to her. So as the parties still do not agree, the complaint has been passed to me for 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 Mrs 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 Mrs B could sustainably repay her 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 Mrs B's complaint.

Satsuma asked Mrs B for information about her income and expenditure and it carried out credit checks. It also says it added additional expenditure to work out whether loan repayments were affordable for Mrs B as a safeguard.

Mrs B took out loan one on 10th January 2018 and then on the same day withdrew from the agreement, repaying the amount given back. Three days later she took out loan two for £1000 over a term of 52 weeks. There is an amount outstanding still for this loan. Mrs B took out loan three on 1st March 2018 for a smaller amount of £200 and took this out at the same time she was repaying loan two. She repaid this early on 24th May 2018. A few days later she took out loan four but again withdrew from this agreement within a few days, repaying back what she had borrowed.

For loans one to four, given the loan amounts, what was apparent about Mrs B's circumstances at the time and her relatively short borrowing history with Satsuma, I don't think it would've been proportionate to ask her for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mrs B provided or the information Satsuma should've been aware of (including the credit search results), which meant it would've been proportionate to start verifying what Mrs B was saying. So I can't say it was wrong for Satsuma to have provided the first four loans. So I don't agree with Mrs B that she should have all of the interest and charges given back to her for all of her loans and I don't uphold this part of her complaint.

But as our adjudicator explained, by loan five the pattern of Mrs B's borrowing now showed that she was showing signs that she was struggling to repay her borrowing:

- Loan five was for £800. This amount was for twice as much as loan three and was in addition to loan two that she was also still paying back. When I consider the amount that Mrs B was asking to lend overall (loan two and now additionally loan five), her borrowing

had increased significantly over 6 months between loan one and when Mrs B asked for loan five.

- Mrs B was borrowing in a very short period after she was repaying her loans and on two occasions she withdrew from a loan only to request a larger amount only days later. This shows me that she was most likely unable to repay previous loans without taking out a new one and was borrowing again to fill a gap in her finances.

I think when I consider these points, it shows that there was a significant risk that Mrs B would be unable to meet her repayments for loan five because she was showing signs that she was struggling to repay in a sustainable way. So I think Satsuma was wrong to approve loan five.

So I'm also upholding the complaint about loan five and I think Satsuma should put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Mrs B paid on loan five;
- 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 negative information about loan five from Mrs B's credit file;

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

Mrs B still owes Satsuma some of the principal balance she borrowed on loan 2 and loan 5. Satsuma may deduct the outstanding balance of loan 5 from the compensation that is due to her. But, to be clear, that outstanding balance should be recalculated to remove any interest and charges, whilst taking account of any repayments Mrs B has made on that loan as though they were applied against the principal sum borrowed.

It is likely that Mrs B will still need to repay an outstanding amount to Satsuma. When agreeing a repayment plan, I would like to remind Satsuma that it would need to treat Mrs B positively and sympathetically.

my final decision

For the reasons given above, my final decision is that I partially uphold Mrs B's complaint. I require Provident Personal Credit Limited (trading as Satsuma) to pay Mrs B compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 February 2020.

Mark Richardson
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