

**complaint**

Mr B complains that Provident Personal Credit Limited, trading as Satsuma Loans, lent to him in an irresponsible manner.

**background**

Mr B took out seven loans with Satsuma between February 2015 and May 2018. The loans were repayable over periods ranging from 30 weeks to 12 months. Mr B repaid loans one to six but hasn't repaid loan seven. A summary of Mr B's borrowing from Satsuma is as follows:

	date	£ amount borrowed	date repaid
1	21 February 2015	400	29 October 2015
2	20 July 2015	600	29 October 2015
3	2 November 2015	700	5 November 2016
4	20 December 2016	1,000	22 December 2017
5	22 February 2017	310	24 January 2018
6	16 December 2017	1,300	31 January 2018
7	27 May 2018	2,000	

Mr B says that Satsuma failed to identify that he had become dependent on the loans and that further borrowing made his position worse. He wants a refund of interest, with interest and adverse information removed from his credit file.

One of our adjudicators assessed Mr B's complaint. He said that Satsuma shouldn't have given Mr B loans four to seven and he set out what he thought Satsuma should do to put matters right.

Satsuma didn't agree with the adjudicator. It said:

- The adjudicator only considered the number of loans but sustained or sequential borrowing isn't necessarily irresponsible or conclusive proof that a customer is persistently reliant on borrowing.
- It considers sustainability at the point of its initial income and expenditure checks.
- Mr B repaid all loans except for loan seven, which suggests that he had a change in circumstances.

As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

**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.

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 don't think that Satsuma was at fault in giving Mr B loans one, two and three. Given the repayment amounts, what was apparent about Mr B's circumstances at the time and his history with the lender at that point, I don't think it would've been proportionate for Satsuma to ask Mr B for the amount of information needed to show the lending was unsustainable. At that stage, there wasn't anything in the information Mr B provided or the information Satsuma should've been aware of, which meant it would've been proportionate for it to start verifying what Mr B said about his financial position.

I've also looked at the overall pattern of Mr B's lending history with Satsuma, 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 by loan four. I say this because by loan four, Mr B's overall pattern of borrowing suggested that he had become persistently reliant on short-term loans. Mr B had taken four loans in 22 months. Up to loan four, the amounts Mr B borrowed increased such that loan four was for substantially more than Mr B had first borrowed.

Mr B wasn't making any real inroads to the amount he owed Satsuma. Loan seven was taken out over three years after Mr B's first loan with Satsuma and it was for a considerably larger amount. Mr B had paid large amounts of interest to, in effect, service a debt to Satsuma over an extended period.

In my view, from loan four, the pattern of lending itself shows that the loans from here were unsustainable. So, I don't think that Satsuma should have given Mr B loans four to seven.

I think that Mr B lost out because Satsuma continued to provide borrowing from loan four onwards 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. The sheer number of 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 Mr B's complaint about loans four to seven and Satsuma should put things right.

#### **putting things right – what Satsuma needs to do**

I now require Satsuma to:

- refund all interest and charges Mr B paid on loans four to seven and write off any outstanding interest and charges on loan seven;
- 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†;
- deduct from the refund above any capital sum still due in relation to loan seven and pay Mr B the balance, if any. If there remains an outstanding balance owed to Satsuma in relation to loan seven, Satsuma should agree an affordable repayment plan with Mr B;
- the number of loans taken from loan four onwards means any information recorded about them is adverse. So all entries about loans four to six should be removed from Mr B's credit file. Entries about loan seven should be removed once the capital owing on that loan has been repaid.

† 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 upholding Mr B's complaint in part. Provident Personal Credit Limited, trading as Satsuma Loans, 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 19 December 2019.

Louise Povey  
**ombudsman**