

complaint

Miss S says Provident Personal Credit Limited (trading as “Satsuma”) irresponsibly lent to her.

background

This complaint is about six high-cost short term credit instalment loans that Satsuma provided to Miss S from January 2016 onwards. Miss S’ last loan was provided in February 2018.

Our adjudicator upheld Miss S’ complaint and thought that she shouldn’t have been provided with loan 6. Satsuma didn’t respond to our adjudicator’s assessment. So the complaint was passed to me.

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 the key 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 Miss S 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’ve carefully considered all of the arguments, evidence and information provided. Having looked at the overall pattern of Satsuma’s lending history with Miss S, I think that Satsuma should reasonably have seen that Miss S was unlikely to have been able to make her payments in a sustainable manner by the time it provided loan 6.

I say this because by this stage, Miss S' pattern of borrowing was indicative of this loan having become unsustainable for her. She'd previously been provided with new loans shortly after repaying previous ones. And this pattern had now continued over an extended number of loans and over a period of over two years. I'm not persuaded that Miss S having repaid loan 6 means that it was sustainable for her or that it was fair and reasonable for Satsuma to have provided it in the first place.

Miss S had to pay interest and charges on a loan that Satsuma shouldn't have provided her with. So I think that she lost out and Satsuma should put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Miss S paid on loan 6;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- all reference to loan 6 should be removed from Miss S' credit file.

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

my final decision

For the reasons given above, I'm partially upholding Miss S' complaint. Provident Personal Credit Limited should pay Miss S compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 24 April 2020.

Jeshen Narayanan
ombudsman