

## **complaint**

Mr S says Provident Personal Credit Limited, trading as Satsuma, lent to him irresponsibly. Mr S says that he couldn't afford the loan repayments and he wasn't creditworthy. So he thinks that Satsuma shouldn't have lent to him.

## **background**

Our adjudicator thought the complaint should be partially upheld. Satsuma disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr S' complaint should be upheld in part. A copy of the background to the complaint and my provisional findings are attached and form part of this final decision.

Satsuma and Mr S received my provisional decision. And no one had anything to add after they'd seen it.

## **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Satsuma and Mr S didn't raise any new points after receiving my provisional decision. So I've reached the same conclusions I reached before, for the same reasons.

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

- refund all interest and charges Mr S paid on loan 1;
- 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 loans 1 from Mr S' credit file;

I understand Mr S may not have fully repaid the amount he owed on loans 2 and 3. If Mr S still owes Satsuma any of the principal balance he borrowed on these loans Satsuma should remove all the interest and charges applied to the outstanding balances. Satsuma should then re-work the accounts as if all payments made by Mr S went to towards the principal. But importantly, Satsuma needs to make sure that Mr S doesn't repay more than the principal amounts borrowed.

If after doing this Mr S hasn't repaid the principal amounts he borrowed Satsuma can deduct this from the remainder of the compensation. If, Mr S has already paid enough to repay the principals then any overpayments should be refunded to him with 8% simple\* interest from the date of payment to the date of settlement

And if Satsuma no longer owns these debts, and it wants to make a deduction due to the amounts owed, then it should buy them back. If it doesn't then it isn't entitled to make any deductions for it from the amount it needs to pay Mr S.

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

**my final decision**

For the reasons I've explained, I uphold Mr S' complaint.

Provident Personal Credit Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 30 October 2019.

Andy Burlinson  
**ombudsman**

**extract from my provisional decision**

This complaint is about three instalment loans provided to Mr S between November 2016 and August 2017. Mr S has been unable to make the repayments to loans 2 and 3.

loan number	date started	amount borrowed	term (months)	date ended
1	08/11/2016	£1,000	3	22/11/2016
2	02/01/2017	£300	9	outstanding
3	11/08/2017	£800	12	outstanding

Loan 1 was effectively cancelled. And Satsuma has agreed that it shouldn't have approved this loan. It's offered to repay the interest and fees Mr S was charged on loan 1. Mr S hasn't accepted this offer.

Our adjudicator didn't uphold the complaint. Mr S disagreed with the adjudicator's opinion so the complaint has been passed to me.

**my provisional 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 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 in this context and what this all means for Mr S' complaint. I've provisionally decided to uphold Mr S' complaint and have explained why below.

Mr S borrowed £1,000 for loan 1. And the repayments he was due to make were a large part of his recorded income. Satsuma recorded Mr S' monthly expenditure as being over £600. So I don't see how it could have thought that he could sustainably repay this loan without borrowing further. So I'm planning to uphold Mr S' complaint about loan 1. I agree with Satsuma that this lending wasn't appropriate for Mr S.

Mr S took loan 2 shortly after loan 1 and the amount was lower. The loan was set up to be repaid over a longer period of time so the monthly repayments were also lower.

But the credit reference agency data that Satsuma has provided shows that Mr S already owed £950 to other payday lenders. I appreciate that it also shows that he hadn't started a new loan for some time and that he wasn't making ongoing repayments to this lending. But I think that, in conjunction with the large loan he had taken out earlier, Satsuma should've looked further into Mr S' circumstances to make sure he could afford the repayments.

I think it would've been proportionate for Satsuma to fully review Mr S' finances to see if he could sustainably repay this lending. As far as I can see Satsuma didn't do this. So I've looked to see what it would've seen had it made proportionate checks.

Mr S has provided some information about his financial circumstances. This information is limited but it does include a copy of a recent credit report. I accept that this isn't exactly what Satsuma would've seen at the time. But I think it would've found out similar information if it had made proportionate checks, so I think it's reasonable to rely on it.

This shows that Mr S was having problems managing his money. He was overdrawn at the time loan 2 was approved and had been for some time. He'd recently just taken out a significant long term personal loan and he had at least two other short term instalment loans that he was making regular repayments to. So I don't think Satsuma should've approved loan 2 and I'm planning to uphold Mr S' complaint about it.

Going forward Satsuma's records show that Mr S fell into arrears early on in loan 2, that is from May 2017 onwards. Satsuma has also supplied a copy of its contact notes with Mr S. These show that Mr S made his current irresponsible lending complaint in July 2017. As part of this complaint, Mr S has said that he couldn't afford the loan repayments and that he wasn't creditworthy.

All this took place before Satsuma approved loan 3 in August 2017. So Satsuma had clear information before lending that Mr S had significant financial problems and he was unlikely to be able to make the repayments to this loan sustainably. So I don't think Satsuma should've approved loan 3 and I'm also planning to uphold Mr S' complaint about it.