

complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent money to him that he couldn't afford to repay.

background

Based on the information provided, Mr S entered into eight loans with Satsuma Loans between February 2016 and October 2017.

Loan	Amount	Date	Term	Repaid
1	£300.00	Feb 2016	13 Weeks	May 2016
2	£200.00	Jun 2017	6 Months	Jun 2016
3	£300.00	Jul 2017	6 Months	Jul 2017
4	£400.00	Jul 2017	3 Months	Jul 2017
5	£1000.00	Sep 2017	12 Months	Sep 2017
6	£1500.00	Sep 2017	12 Months	Sep 2017
7	£1000.00	Oct 2017	12 Months	Oct 2017
8	£1000.00	Oct 2017	12 Months	Oct 2017

Mr S says that at the time of the loans he was vulnerable and had other outstanding debts. He says he had to take out the loans to pay his bills and had to keep borrowing to meet his repayments. He says the loans made his financial situation worse and that had adequate checks been carried out Satsuma Loans would have realised the lending wasn't responsible.

Satsuma Loans says that at the time of the loans there was no indication that the repayments weren't affordable.

Our adjudicator noted that there was a substantial gap between when Mr S repaid his first loan and took out his second. Therefore she considered loan two as starting a new lending chain. She said that she didn't have enough to say that loans one to six shouldn't have been provided. However she thought that by loan seven Mr S' overall pattern of borrowing suggested he had become persistently reliant on short-term loans. She recommended that Mr S be refunded the interest and charges he paid on loans seven and eight and that his credit file be amended in regard to these loans.

Satsuma Loans didn't accept our adjudicator's view and so this case has been passed to me an ombudsman to issue a 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 Loans 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 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 Loans should fairly and reasonably have done more to establish that any lending was sustainable for a 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 Loans was required to establish whether Mr S 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 S' complaint.

Mr S entered into eight loans. There was a break of around a year between when the first loan was repaid and when the second was taken out. Therefore I agree with our adjudicator that the second loan should be considered as starting a new lending chain. The subsequent loans were taken out in close succession and so these all form part of the same lending chain.

Our adjudicator didn't think that there was enough to say that loans one to six shouldn't have been provided. Loan one was the first in a lending chain and based on the information I have seen I agree there isn't enough to say this shouldn't have been provided. Loan two was the first in a new lending chain and I agree that I don't have enough to say that loans two to five (first four loans in the second lending chain) shouldn't have been provided.

However, by the time loan six was provided, I think that Satsuma Loans should have been concerned about Mr S' borrowing. This was his fifth loan in close succession and although he had withdrawn from a number of the loans, I think his pattern of borrowing and repaying or withdrawing should have caused concern. Given this I think a full review of Mr S' financial situation should have been carried out before this loan was provided.

I have looked through the information provided and can see that Mr S was making use of other short term loan providers around this time however the loans were being settled. On balance, having looked through the information provided I don't find I have enough to say this loan shouldn't have been provided.

However, by loan seven. Mr S' pattern of borrowing should have caused concerns. He was taking out new loans and the amounts he was requesting weren't decreasing. He was taking out loans shortly after withdrawing from previous loans suggesting he was struggling to manage his money. Because of this I don't think it was reasonable that loans seven and eight were provided.

my final decision

My final decision is that I uphold this complaint in regard to loans seven and eight. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- refund all interest and charges that Mr S paid on loans seven and eight;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- the number of loans taken from loan seven means any information recorded about them is adverse. So all entries about loans seven and eight should be removed from Mr S' credit file.

* HM Revenue & Customs requires Provident Personal Credit Limited (trading as Satsuma Loans) 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 November 2019.

Jane Archer
ombudsman