

complaint

Mr H says Provident Personal Credit Limited, trading as Satsuma, lent to him irresponsibly.

background

I sent Mr H and Satsuma my provisional decision on this complaint on 22 September 2018. A copy is attached and forms part of this final decision. As the full background to the complaint is set out in it, I won't reiterate it here.

I explained why I thought Satsuma's offer to settle the complaint was fair and asked both parties for their comments. Both Mr H and Satsuma have now responded.

Satsuma had nothing further to add about the complaint and confirmed it stood by the offer already made. Mr H didn't think Satsuma's offer was fair. He said (in summary):

- Satsuma approved his second, third and fourth loans 'at the click of a button' and didn't ask him for more details of his income and expenditure
- he feels that Satsuma did not probe deep enough into his other 'living essentials' and didn't pick up on the changes in his circumstances when he borrowed again
- the business must have had some history on him from previous lending doorstep loans
- he missed payments at times
- he was in a desperate situation, with a lot of his problems being down to his debts

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account the law, good industry practice and any relevant regulations at the time.

Having thought about everything, I'm not changing my provisional findings. I still think the offer Satsuma has made to resolve this complaint is fair. I realise this will be disappointing for Mr H, but I hope he can understand my reasons for reaching this decision.

I'll start by saying that I don't doubt Mr H was in financial difficulty and I'm sorry to hear of the impact this had on him. In looking at his complaint, I have taken into account that there were times when I think Satsuma could've done more to check this and I've looked at what else it could have found out. But in looking at this, I have to take into account the relevant rules and regulations, which didn't require Satsuma to carry out any specific checks. So I have to step back and look at things as a whole and decide this complaint on the basis of what is fair and reasonable.

From the information available to me, I can't be sure whether Mr H was asked to update his income and expenditure for each loan, or if he was asked to confirm that it hadn't changed. But I think it's likely Mr H could have updated this information if he felt there were any substantial changes Satsuma should know about.

I acknowledged in my provisional decision that Satsuma didn't always ask Mr H enough about his expenditure and I suggested what else it could have checked. At the same time, I don't think that the lending, in respect of the first three loans, reached the point where I'd expect Satsuma to be carrying out in-depth checks before lending – such as asking for proof

of income and/or outgoings. Checks like these might have alerted Satsuma to Mr H's problems. But I think it would be disproportionate to say Satsuma should've done this in the early stages of the lending relationship.

I haven't seen anything to suggest Mr H had loans with Satsuma or its sister brand before he took out loans 1-3. The evidence I've seen is that Mr H had loans with other Provident brands, but after loans 1-3, in 2015. So this doesn't change my findings in respect of loans 1-3. It may be relevant to loan 4, but I think Satsuma's offer in respect of that loan is fair.

I understand Mr H may still owe something on loan 4 once Satsuma has removed the interest. I would encourage Mr H and Satsuma to engage in a constructive dialogue about the outstanding debt. And I'd also remind Satsuma of its obligation to treat Mr H positively and sympathetically given he's experiencing financial difficulty.

my final decision

My final decision is that the offer Satsuma made to settle this complaint is fair. Provident Personal Credit Limited must do what it has offered if Mr H accepts this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 November 2018.

Matthew Braford
ombudsman

COPY OF PROVISIONAL DECISION**complaint**

Mr H says Provident Personal Credit Limited, trading as Satsuma, lent to him irresponsibly.

background

Mr H had four loans with Satsuma. I've set out some of the details Satsuma provided about the loans in the table below.

Loan no.	Approved Date	Term	Repaid Date	Amount lent	Monthly repayment
1	10/01/2014	26 weeks	16/05/2014	£300	£83.98
2	16/05/2014	39 weeks	10/10/2014	£500	£97.50
3	10/10/2014	52 weeks	09/10/2015	£800	£121.33
4	18/09/2017	12 months	n/a	£800	£132.80

I know Mr H has another complaint about a different Provident brand and there has been some confusion about the number of complaints this service is dealing with. So to be clear, this decision is only about Mr H's loans with Satsuma. His other complaint is being dealt with separately, although I have kept in mind everything he said about how the business lent to him.

After the complaint was referred to this service, Satsuma made an offer in respect of loan 4. It said it would remove all of the interest charged to the account and allow Mr H to repay the remaining principal balance only. As this is in line with what I'd ask Satsuma to do if I upheld the complaint about loan 4, I'm not going to make a finding on whether it was approved responsibly.

Our adjudicator thought the offer was a fair way to settle the complaint. She didn't think Satsuma was wrong to approve loans 1-3. Mr H didn't accept Satsuma's offer and said he thought it should refund the interest on the other three loans. As there was no agreement, the complaint was passed to me to decide.

To be clear, as Satsuma has already made an offer in-line with what I'd recommend for loan 4, I'm only looking at the loans still in dispute. That's loans 1-3.

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. I've taken into account the law, good industry practice and any relevant regulations at the time.

When Satsuma first lent to Mr H the regulator was the Office of Fair Trading (OFT), which had published guidance on irresponsible lending (ILG). From 1 April 2014 onwards the regulator was the Financial Conduct Authority (FCA) and relevant regulations and guidance included its Consumer Credit sourcebook (CONC).

The ILG and CONC contain similar guidance for lenders about responsible lending. Among other things, the regulations say lenders should carry out affordability checks which are proportionate in the circumstances of the loan. The regulations also say repayments should be sustainable (*i.e.* repayable from the borrower's income or savings) and that lenders shouldn't allow a borrower to enter into consecutive credit agreements where it would be unsustainable to do so.

With this in mind, I've taken into account whether Satsuma carried out proportionate checks before lending – and if it didn't, what I think proportionate checks are likely to have shown.

From what I've seen, I think the checks Satsuma carried out were the same for each of the three loans. It says it carried out credit checks and asked Mr H about his income and outgoings. For each of the three loans I'm looking at Mr H said his income was £2,525. In terms of his outgoings, Mr H said these were £165 for mortgage/rent, £210 for other loans and £1,125 for other expenses. This left a maximum disposable income of £1,025 a month.

I think for loans 1 and 2 Satsuma's checks went far enough. Based on the information Mr H provided it about his income and outgoings, I think it was reasonable for Satsuma to conclude that the loans were sustainably affordable. I don't think Satsuma had reason to doubt what Mr H was telling it about his income and outgoings, so the monthly repayments of around £84 and £98 would've appeared to fit within Mr H's disposable income.

I think Satsuma ought to have done more before deciding on approving loan 3. This was the second time Mr H had essentially refinanced his loan and the second time he'd borrowed more – substantially more in fact – than for loan 1. And he was extending the term of the loan each time too, having doubled the term of the loan since loan 1.

So I think Satsuma ought to have had some concerns Mr H might have been unsustainably increasing his indebtedness. And it I think it should have asked him to provide some more detailed information about his other credit commitments to check this. I've not seen, for example, that Satsuma asked any specific questions about Mr H's short-term or other alternative credit commitments.

But even if Satsuma had done this for loan 3, I think it could've still reasonably approved loan 3. From the evidence I've seen Mr H's other commitments included a £45 and £60 weekly payment to another home credit provider – so about £420 a month. The information Mr H actually gave Satsuma was that his monthly expenditure was £1,500. Adding £420 to that would increase his expenditure to £1,920 – which would still leave Mr H with £605 based on his declared income. So I don't think the repayment of £121 on loan 3 would've looked unaffordable.

Mr H has referred to having a number of loans with other Provident brands at the same time as his loans with Satsuma. But from what I've seen, these were taken out after loan 3. So I don't think this is something I need to take into account when looking at this complaint.

For the reasons I've given above, I'm not planning to uphold the complaint about loans 1-3.

my provisional decision

My provisional decision is that the offer Provident Personal Credit Limited made to settle the complaint is fair. I plan to tell Provident Personal Credit Limited to implement its offer if Mr H accepts my final decision.

[signed]

Matthew Bradford
ombudsman