

complaint

Mr C complains that Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to him.

background

The background to this complaint was set out in the provisional decision I issued on 6th December 2019. An extract from this is attached and forms part of this final decision, so I won't repeat that information here.

In my provisional decision I set out why I thought the complaint should be partially upheld and what Satsuma needed to do to put things right. I invited both parties to let me have any further comments and evidence.

Satsuma responded on 20 December 2019, and has said that it accepts my provisional findings.

Mr C has provided us with some further comments. Although I am only summarising here what Mr C has said, I have considered his entire response carefully before writing this decision.

Mr C had two further points to make. Firstly he says the balance payable for loan 5 should be £1267 and not £1317. He says that Satsuma may have added charges without him knowing about it and this needs to be addressed.

In addition, he believes that because Satsuma reported the final loan on his credit file as one that had 'missed payments' that this had consequences for him with other lines of credit. He said he had his credit card limited restricted and also had to pay higher interest rates. He believes he should be compensated for this.

my findings

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

Mr C says the balance outstanding for loan 5 is not correct and that it is £50 higher than it should be. He believes Satsuma may have added charges without him knowing. In my provisional decision, I upheld Mr C's complaint about loan 5 and have asked Satsuma to put things right here. This includes recalculating what is owed by Mr C by removing all interest and charges as well as taking into account any payments made by him. This will leave only the principal sum borrowed that Mr C still owes.

When Satsuma does this, I think it would be helpful if it could clearly explain to Mr C in writing the interest and charges that it has taken off and what is left to repay, so that Mr C can see that this has happened and that he can be assured that the amount left to repay is the remaining principal sum only.

Mr C also believes he has suffered further loss because Satsuma has recorded on his credit file that he has 'missed payments' when he was in a repayment plan and he says that this led to him having to pay a higher interest rate on a credit card as well as have other problems obtaining credit. So I have looked into this.

In doing so I can see that the 'missing payment' information recorded by Satsuma on Mr C's credit file would've been just one element that made up his credit rating. Having reviewed a copy of Mr C's credit file, there were a number of other adverse entries at the same time that would've influenced his score, including a default from an unsecured loan and other credit accounts that were in arrears. So although I do think Satsuma should remove any negative information on Mr C's credit file about loan 5 for the reasons I have given in my provisional decision, I don't think it is fair for me to conclude that Mr C has suffered any further detriment because of what Satsuma did here. This is because I think Mr C's credit file had enough adverse entries from other credit providers that would have affected his credit score anyway.

So having considered everything I've received in relation to this complaint, both before and after issuing my provisional decision, I am not persuaded to change those initial conclusions. Satsuma now need to put things right.

putting things right

Satsuma should:

- refund all interest and charges Mr C paid on loan five;
- 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 loan five on Mr C's credit file;
- write to Mr C and explain what it has deducted and how much Mr C has left to repay.

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

As I have already mentioned, Mr C still owes Satsuma some of the principal balance he borrowed on his final loan (loan five). Satsuma may deduct this from the compensation that is due to him. But, to be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Mr C has made on that loan as though they were applied against the principal sum borrowed.

After Satsuma has made its deductions, it looks like Mr C will have a balance remaining to pay. I would remind Satsuma that it should treat Mr C positively and sympathetically when dealing with this repayment.

my final decision

My final decision is that I partially uphold Mr C's complaint and direct Provident Personal Credit Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 February 2020.

Mark Richardson

ombudsman

EXTRACT FROM PROVISIONAL DECISION**complaint**

Mr C says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to him.

background

This complaint is about five instalment loans Satsuma provided to Mr C between June 2017 and October 2017. Details of these five loans are as follows:

Loan	Taken	Instalments	Amount	Highest repayment
1	26/06/2017	12	£1000	£166.00
2	19/07/2017	12	£1000	£166.00
3	08/08/2017	12	£1000	£166.00
4	30/08/2017	12	£1000	£166.00
5	11/10/2017	12	£1000	£166.00

Mr C withdrew from the first four loans within the time stated in the terms and paid back the capital without incurring any interest or charges. Mr C then did not meet his repayments as agreed for loan five. He says he has agreed a repayment plan for this loan. There is a balance that is still outstanding.

Mr C says that Satsuma should have seen that he had problems managing his finances and had several short term loans open at any one time, when it agreed to lend to him. He also says that Satsuma has recorded on his credit file that he has missed payments for loan five, and he thinks it shouldn't have done this as he has agreed a repayment plan.

Our adjudicator did not uphold Mr C's complaint and thought Satsuma did nothing wrong when it agreed to lend the five loans to him. Mr C didn't agree and so the complaint has been passed to me for a final decision.

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 C 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 think that it is important for me to start by saying that Satsuma was required to establish whether Mr C 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 C's complaint.

Satsuma asked Mr C for information about his income and expenditure and it carried out credit checks. For the first four loans, I can't see that there was anything untoward in its credit checks that should have alerted Satsuma to ask further questions, albeit the information that it has shown our service is not detailed in anyway.

For the first four loans, given the amounts, what was apparent about Mr C's circumstances at the time and his history with Satsuma, I don't think it would've been proportionate to ask him for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr C provided or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what Mr C was saying. So I can't say it was wrong for Satsuma to have provided these loans.

In addition, I think its worth stating that Mr C didn't pay any interest or charges for the first four loans and so even if I did find any wrong doing here, I wouldn't expect in this case for Satsuma to do anything to put things right as Mr C hasn't lost out at all. He had simply repaid the money that he had been provided by Satsuma.

By loan 5 the amount Mr C had asked for though had not reduced in value at all. And he had repeatedly taken out a loan and then shortly afterwards withdrawn from it. He did this on four occasions within the space of around 3 months.

So I think Satsuma could've realised at this point that Mr C may have some longer term financial problems rather than just using the loans to help with a temporary cash flow problem. Satsuma should've at this stage become concerned about whether it knew enough about Mr C's true financial situation.

I think that it would've been proportionate to fully review Mr C's financial situation before approving loan five. And I think that Satsuma needed to verify the information it found out where possible. This is to make sure Mr C was in position to make the repayments sustainably. I don't think Satsuma did this. So I need to think about what it would've seen if it had carried out proportionate checks.

Mr C has provided some information about his financial circumstances which includes some bank statements and 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 C was having problems managing his money. Satsuma would've found out that Mr C was paying a significant amount to other creditors. And he'd also been repaying a significant amount to three short term lenders at the time he applied for loan five.

I think that Satsuma would've found out this information if it had made proportionate checks. And I think it would've seen Mr C wouldn't have been able repay loan five in a sustainable way. So I think that Satsuma shouldn't have given loan five to Mr C and I think he lost out as a result of this. So I'm upholding Mr C's complaint.

Mr C says Satsuma has recorded on his credit file that he has missed payments. Whereas he says he has agreed a repayment plan and feels this should be reflected. I am now minded to uphold Mr C's complaint about loan five and so what I will be asking Satsuma to do to put things right, should deal with this issue.