

## complaint

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

## background

This complaint is about nine high-cost short term credit instalment loans that Satsuma provided to Mr T from January 2016 onwards. Mr T’s last loan was provided in February 2018.

Our adjudicator upheld Mr T’s complaint and thought that he shouldn’t have been provided with loans 5 to 9. 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 Mr T 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 Mr T, I think that Satsuma should reasonably have seen that Mr T was unlikely to have been able to make his payments in a sustainable manner by the time it provided loan 5.

I say this because by this stage, Mr T's pattern of was indicative of his loans having become unsustainable for him. There was a break of a few months between loans 3 and 4 but Mr T had a number of applications declined by Satsuma during this period. I don't know why these applications were declined. But, in my view, these repeated applications – notwithstanding the fact that they'd been declined - demonstrated Mr T's reliance upon this type of credit.

This pattern of borrowing went on to continue over an extended number of loans and over a period of over two years. I'm not persuaded that Mr T having repaid these loans means that they were sustainable for him or that it was fair and reasonable for Satsuma to have provided them in the first place.

Mr T had to pay interest and charges on loans that Satsuma shouldn't have provided him with. So I think that he lost out and Satsuma should put things right.

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

- refund all interest and charges Mr T paid on loans 5 to 9;
- 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 loans 5 to 9 should be removed from Mr T's credit file.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr T a certificate showing how much tax it's taken off if he asks for one.

#### **my final decision**

For the reasons given above, I'm partially upholding Mr T's complaint. Provident Personal Credit Limited should pay Mr T compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 18 April 2020.

Jeshen Narayanan  
**ombudsman**