

complaint

Miss W says Provident Personal Credit Limited, trading as Satsuma, irresponsibly lent to her.

background

This complaint is about four loans Satsuma provided to Miss W between March 2017 and April 2018. Miss W's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Combined Monthly Repayment
1	19/03/2017	03/07/2017	3	£300.00	£147.60
2	24/06/2017	05/10/2017	3	£500.00	£246.00
3	21/08/2017	15/09/2018	12	£1,500.00	£495.00
4	17/04/2018	16/07/2018	10	£700.00	£389.00

In the most recent review of this case, our adjudicator upheld Miss W's complaint about loans 3 and 4 and thought these loans shouldn't have been given. Satsuma haven't responded to this and 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 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 Miss W 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 consumer'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 Miss W could sustainably repay her 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 relevant regulations define 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 Miss W's complaint. In the most recent review, our adjudicator didn't uphold Miss W's complaint about loans 1 and 2. Miss W seems to have accepted this, so as these loans are no longer in dispute, I haven't considered these further. However, I have looked at all of Miss W's loans when considering her borrowing history with Satsuma.

Satsuma says it carried out income and expenditure checks before lending Miss W any of her loans. But when Miss W was given loan 3, she still had loan 2 outstanding, and when taking out loan 4 she still had loan 3 outstanding. The payment for loans 3 and 4 combined with the loan repayments Miss W already had to make now meant that she had to pay a significant proportion of her monthly income to Satsuma. And the affordability assessment carried out by Satsuma at the time Miss W applied for these loans showed that they would not have been affordable for her. In these circumstances, there was a significant risk that Miss W wouldn't have been able to meet her existing commitments without having to borrow again. So, I think it's unlikely Miss W would've been able to sustainably meet her repayments for loans 3 and 4.

So, I'm also upholding the complaint about loans 3 and 4 and Satsuma should put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Miss W paid on loans 3 and 4;
- 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 3 and 4 from Miss W's credit file;

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

my final decision

For the reasons given above, I'm partially upholding Miss W's complaint. Provident Personal Credit Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 20 May 2020.

Sienna Mahboobani
ombudsman