

complaint

Miss K complains that Provident Personal Credit Limited (trading as Satsuma) did not complete enough checks before deciding to lend to her.

background

Satsuma said Miss K had 9 loans between October 2014 and March 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Due</u>	<u>*Monthly Repayment</u>	<u>Repaid</u>
1	28 Oct 2014	£200	26w	1 May 2015	£55.99	8 May 2015 2 late payments
2	12 Feb 2015	£400	26w	14 Aug 2015	£168.01	28 Jul 2015 4 late payments
3	26 Nov 2015	£500	52w	25 Nov 2016	£82.90	24 Oct 2016 Early
4	30 Nov 2016	£1,000	12m	23 Dec 2017	£166.00	27 Jan 2017 Early
5	31 Mar 2017	£800	12m	23 Apr 2018	£132.80	30 May 2017 Early
6	31 May 2017	£1,200	12m	28 May 2018	£199.20	15 Jul 2017 Early
7	8 Aug 2017	£500	12m	23 Aug 2018	£83.00	30 Nov 2017 Early
8	30 Sep 2017	£1,000	12m	23 Oct 2018	£249.00	30 Nov 2017 Early
9	28 Mar 2018	£2,000	12m	23 Apr 2019	£332.00	Balance outstanding

* *Maximum monthly repayment for all overlapping loans*

Miss K says she was using one short-term loan to repay another. She says that if Satsuma had asked for further information it would have found that she was in financial difficulties.

Satsuma says it asked Miss K for information about her income and expenses at the time of each loan application and found she declared sufficient disposable income to afford the repayments. It adds that it also checked Miss K's credit file and increased her declared expenditure each time, based upon what it saw on her credit record. But, it says, this still left Miss K with enough money to make the repayments.

Our adjudicator recommended the complaint should be upheld in part. She said Miss K's pattern of borrowing itself should have indicated the repayments may not be sustainable by loan 6. She recommended Satsuma should refund interest and charges on loans 6 to 9 (plus 8% statutory interest) and that it should remove those loans from Miss K's credit file.

Satsuma responded to say, in summary, that it performed individual checks on every loan application made and did not agree that the number of loans alone was sufficient grounds to uphold Miss K's complaint.

my provisional findings

I issued a provisional decision to Miss K and to Satsuma on 30 October 2019. I summarise my findings here:

- As a result of further investigation, I found Miss K had two additional loans from Satsuma, prior to loan 1, that hadn't previously been considered:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Due</u>	<u>*Monthly Repayment</u>	<u>Repaid</u>
A	6 Apr 2014	£150	13w	11 Jul 2014	£69.98	8 Jul 2014 1 late payment
B	8 Jul 2014	£250	13w	10 Oct 2014	£116.65	15 Oct 2014 3 late payments

- I considered Satsuma's checks went far enough for loans A and B and there was nothing in the available information that suggested the loans were unaffordable;
- By the time Miss K applied for loan 1, she was already showing signs that she was struggling to manage her money so I thought Satsuma should have done better checks before agreeing to lend to her again. Had it done so, it was likely to have found that she had outstanding balances with at least three other short-term lenders, so I didn't consider it was responsible for Satsuma to have approve loans 1 or 2;
- I considered that by the time Miss K applied for loan 3, Satsuma should reasonably have seen that further lending was unsustainable:
 - She'd been borrowing from Satsuma almost continuously for over 19 months and the issues with the other outstanding short-term loans had still not been resolved;
 - From loan 3 onwards Miss K was provided with a new loan within days/weeks of settling a previous one. So Satsuma ought to have realised it was more likely than not Miss K was having to borrow further to cover the hole repaying her previous loan was leaving in her finances and that Miss K's indebtedness was increasing unsustainably;
 - Miss K wasn't making any real inroads to the amount she owed Satsuma. Loan 9 was taken out almost four years after Miss K's first. And it was for a significantly higher amount.
- The loans had the effect of unfairly prolonging Miss K's indebtedness by allowing her to take expensive credit intended for short-term use over an extended period of time;
- The sheer number of loans was likely to have had negative implications on Miss K's ability to access mainstream credit and so kept her in the market for such high-cost loans.

So my provisional decision was to uphold the complaint about loans 1 to 9.

Both Satsuma and Miss K accepted my provisional decision.

my findings

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

As both parties accepted my provisional decision, I see no reason to depart from it.

my final decision

My decision is that I uphold Miss K's complaint. Provident Personal Credit Limited (trading as Satsuma) should:

- Refund all interest and charges that Miss K paid on loans 1 to 9;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Write off any unpaid interest and charges on loan 9, apply the refund to reduce any capital outstanding and pay any balance to Miss K;
- Remove any negative information about loans 1 and 2 from Miss K's credit file;
- The number of loans taken from loan 3 onwards means any information recorded about them is adverse. So all entries about loans 3 to 9 should be removed from Miss K's credit file.

*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Miss K a certificate showing how much tax it's taken off if she asks for one. If Satsuma intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 4 January 2020.

Amanda Williams
ombudsman