

**complaint**

Mr G complains that Provident Personal Credit Limited, trading as Satsuma, lent to him in an irresponsible manner.

**background**

Mr G took out seven instalment loans with Satsuma between September 2016 and December 2018. Loan one was for 13 weeks, loan two was for four months and loans three to seven were for 12 months.

Mr G repaid loans one to five but he didn't repay loans six and seven. A summary of Mr G's borrowing from Satsuma is as follows:

	date	£ amount borrowed	date repaid
1	24 September 2016	100	26 December 2016
2	6 May 2017	400	6 September 2017
3	3 August 2017	1,000	6 September 2017
4	21 September 2017	500	15 October 2018
5	20 November 2017	1,000	15 December 2018
6	26 September 2018	600	
7	16 December 2018	600	

Mr G says that he became reliant on these loans and borrowed from different lenders to repay earlier loans. He wants a refund of all interest and charges, plus interest, all adverse information removed from his credit file and any outstanding balances written off.

In response to Mr G's complaint, Satsuma offered to refund interest and charges on loan one and to remove adverse information about that loan from Mr G's credit file.

One of our adjudicators looked at loans two to seven. She said that Satsuma shouldn't have given Mr G loans six and seven. The adjudicator set out what she thought Satsuma should do to put matters right.

Mr G agreed with the adjudicator but Satsuma didn't at first. Then, Satsuma said that it agreed to settle the matter as the adjudicator suggested. We put that to Mr G but we didn't hear from him further. As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

**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 Mr G 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.

Satsuma was required to establish whether Mr G 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 G's complaint. As Satsuma has already made an offer in relation to loan one, I'll look at loans two to seven.

I don't think that Satsuma was wrong to give Mr G loan two. Given the repayment amounts, what was apparent about Mr G's circumstances at the time and his history with the lender at that point, I don't think it would've been proportionate for Satsuma to ask Mr G for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr G provided or the information Satsuma should've been aware of, which meant it would've been proportionate for it to start verifying what Mr G said at that stage.

For loan three, four and five. I think Satsuma should've taken steps to build a more detailed picture of Mr G's financial situation. But I haven't seen anything in the information provided which suggests the lender would've known that Mr G wouldn't have been able to make the repayments for these loans in a sustainable way.

Based on what I've seen, I don't think that I can safely conclude that Satsuma was wrong to give Mr G loans two to five.

Satsuma has now agreed with the adjudicator's proposals in relation to loans six and seven, so I don't need to comment further on those loans. In addition to the offer Satsuma has already taken in relation to loan one, I think it should put things right in relation to loans six and seven.

Mr G has said that he wants Satsuma to write off the outstanding balances. I don't think that would be a fair resolution here. That's because Mr G has had the use and benefit of the capital sums borrowed, so it's right that he repays them. But Satsuma should refund and write off interest and charges on loans six and seven, add interest and remove adverse information it recorded on Mr G's credit file in relation to loans six and seven when the capital on those loans has been repaid. It's right that Satsuma applies the refund to the capital outstanding.

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

In addition to its offer in relation to loan one:

- refund all interest and charges Mr G paid on loans six and seven and write off any outstanding interest and charges on those loans;
- 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†;
- deduct from the refund above any capital sum still due in relation to loans six and seven and agree an affordable repayment plan with Mr G in relation to any remaining outstanding balance.
- the number of loans taken from loan six onwards means any information recorded about them is adverse. So, all entries about loans six and seven should be removed once the capital owing on those loans has been repaid.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr G 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 upholding Mr G's complaint in part. Provident Personal Credit Limited, trading as Satsuma, should pay Mr G compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 March 2020

Louise Povey  
**ombudsman**