

complaint

Ms P complained about a number of loans she took out with a company called Provident Personal Credit Limited, trading as "Satsuma". She says Satsuma lent to her irresponsibly and this caused her financial problems.

background

We now know Ms P took out 5 loans, between January and October 2017. I've attached a summary of the borrowing at the end of this decision.

I issued a provisional decision (summary attached) in March 2020 about this case, comprehensively setting out why I thought the complaint should be partly upheld from the point of loan number 4, rather than loan 5, as our adjudicator had recommended. I asked both parties to provide any further submissions or information to me within one month.

my findings

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

Neither party has added anything new. There's therefore no reason for me to change the findings I previously set out. I uphold this complaint in respect of loans 4 and 5, fully in line with my provisional decision.

In order to put things right for Ms P, Satsuma should:

- refund all interest and charges Ms P paid on loans 4 and 5;
- 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 interest and charges still outstanding on loan 4 and 5 and treat any payments Ms P made towards this loan as payments towards the capital;
- if reworking Ms P's loans 4 and 5 account as I've directed results in her effectively having made payments above the original capital borrowed, then Satsuma should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement†.
- If reworking Ms P's loans 4 and 5 account leaves an amount of capital still to be paid, then Satsuma should take a sympathetic view when seeking to agree an affordable repayment plan with Ms P for the remaining capital;
- remove any adverse information recorded on Ms P's credit file in relation to loans 4 and 5.

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

my final decision

For the reasons set out above, I partly uphold this complaint and I direct Provident Personal Credit Limited to pay Ms P the above compensation.

Under the rules of the Financial Ombudsman Service I am required to ask Ms P to accept or reject my decision before 14 June 2020.

Michael Campbell
ombudsman

summary – provisional decision

I've considered the relevant information about this complaint. Based on what I've seen so far I'm thinking about still partially upholding the complaint, but to a greater extent than our adjudicator recommended.

I'll look at any more comments and evidence I get by 30 April 2020 but unless the information changes my mind, my final decision is likely to be along the following lines. Final decisions are published on our website. So that the consumer can't be identified, I'll call her "Ms P".

complaint

Ms P complained about a number of loans she took out with a company called Provident Personal Credit Limited, trading as "Satsuma". She says Satsuma lent to her irresponsibly and this caused her financial problems. To keep things simple, I'll refer mainly to Satsuma.

background

We now know Ms P took out 5 loans, between January and October 2017. I've attached a summary of the borrowing at the end of this decision.

One of our adjudicators looked into the complaint and said they thought it should be upheld in respect on loan 5 only. Satsuma didn't agree and so I've been asked to make an ombudsman's 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. I've followed this approach when thinking about Ms P's complaint.

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 that Ms P could repay the loans she was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amount being lent, the total repayment amount 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. However, certain factors might point to the fact that Satsuma should have fairly and reasonably 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. So Satsuma was required to establish whether Ms P could sustainably repay the loans, not just whether the payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication that Ms P could sustainably make the repayments. But it doesn't automatically follow that 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. So, it follows that a lender should realise, or it ought to have fairly and reasonably realised, that a borrower won't be able to make their repayments sustainably if they are unlikely to be able to make them without borrowing further.

Satsuma told us it carried out certain checks before agreeing to lend to Ms P, including assessing her income, expenditure and creditworthiness. It says that all this information showed that Ms P would be able to make all the loan repayments she was committing to.

Taking into account what I've said above, about the length of the lending relationship, I think the financial checks Satsuma carried out would have been quite basic ones, but they would have nevertheless also been considered by Satsuma as proportionate to the situation for loans 1 - 3. And given the income Ms P herself declared during the first 3 loan applications, I think Satsuma would have thought it was safe to lend her money. I don't think it was unreasonable to make these assumptions and I don't think there's enough evidence to say it was wrong to lend her loans 1 – 3.

However, I'm afraid I don't agree with our adjudicator in respect of loan number 4. This is because I think any reasonable assessment by Satsuma of the basic loan application data would have clearly shown much more care – and thorough financial checking – was required. At the point of loan 4, Ms P's reported income dropped substantially from well over £4,000 per month to just £1,300. This, together with expenditure figures which in my view merited much greater scrutiny, showed that Ms P was in financial difficulty. Also, the fact she was applying for loan 4 so soon after loan 3, exacerbated the level of risk. I note also that she had other debts still outstanding at the time and her loan 4 application was for a vastly increased sum.

These obvious signals were missed and therefore represented a failure by Satsuma to act responsibly and check what was evident – that Ms P was in financial difficulty.

For loan 5, the same situation existed and by this point it would have been clear she probably wouldn't be able to sustainably repay the loans. I therefore intend to uphold the complaint earlier in the lending chain. It was wrong to lend both loans 4 and 5.

my provisional decision

I intend to partially uphold Ms P's complaint and direct Provident Personal Credit Limited to put things right for Ms P as set out above. I'll look at any more comments I get before issuing a final decision providing I get them by 30 April 2020.

Appendix

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	19/01/2017	14/07/2017	26	£150.00	£44.20
2	03/03/2017	09/10/2017	52	£310.00	£47.44
3	14/07/2017	07/09/2017	13	£100.00	£44.04
4	08/09/2017	Outstanding	12	£530.00	£87.98
5	31/10/2017	Outstanding	12	£530.00	£87.98