

## **complaint**

Mrs R complains that Provident Personal Credit Limited (trading as Satsuma) lent her money that she couldn't afford to repay.

Mrs R wants Satsuma to refund the interest and repay what she owes.

## **background**

Mrs R took out nine instalment loans with Satsuma between August 2014 and April 2017. Mrs R says that she didn't have any disposable income left to afford the loan repayments.

The adjudicator recommended that Mrs R's complaint about loan five be upheld. She asked Satsuma to refund the charges and interest that Mrs R had paid on loan five. The adjudicator also recommended that Satsuma remove any negative information about loan five from Mrs R's credit file.

Satsuma didn't agree with the adjudicator's recommendation so the complaint has come 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 Mrs R 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 think that it's important for me to start by saying that Satsuma was required to establish whether Mrs R 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 FCA's Consumer Credit Source Book defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, as well as without having to borrow to meet the repayments.

So 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 Mrs R's complaint.

Satsuma has given us evidence that it asked Mrs R for details of her net monthly income, housing costs, credit commitments and other outgoings. Satsuma also carried out a credit check and included any undeclared credit commitments that it could see together with a further buffer.

There was a break in lending between loan four and five. So I've considered two separate chains of lending.

Given the amount that Mrs R was expected to repay each month against her declared monthly income of between £1,500 and £1,800, I'm satisfied that Satsuma's checks before loans one to four and six and seven were adequate. Based on what Satsuma knew about Mrs R, I don't think that it was unreasonable of Satsuma to agree to lend to her on these occasions.

Although I agree with the adjudicator that Satsuma should have been doing more before agreeing loans eight and nine, I can't say that with better checks, the two loans would've appeared unaffordable.

#### *loan five*

The adjudicator recommended that Mrs R's complaint about loan five be upheld as she thought that Satsuma had gathered information about Mrs R which showed she was having problems managing her money. This is because after making her monthly repayment, Mrs R was left with under £75 for any emergencies or unforeseen expenses.

Although it appeared that Mrs R had enough disposable income to be able to afford the repayments, I don't think that this meant she could afford them in a sustainable way. If Mrs R had any unexpected expenses – even relatively minor one – she'd have been left with little to no money.

I appreciate that Satsuma says that Mrs R declared her disposable income to be £380 and that it added safeguards. But the safeguards reflected any undisclosed credit commitments that Satsuma found in the credit search that it carried out. These credit commitments needed to be added to Mrs R's other declared outgoings thereby reducing her disposable income.

Satsuma didn't add any further safeguards to Mrs R's other expenditure. This means that it still seems fair to conclude that Mrs R wasn't left with enough money to say that she could sustainably afford to repay the loan – that is without borrowing elsewhere.

**to put things right, Satsuma should:**

- refund all interest and charges that Mrs R paid on loan five;
- add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*;
- write off any unpaid interest and charges on loan five;
- if it chooses to, apply the refund against any outstanding balance on loans eight and nine before paying the remaining balance (if there is any) to Mrs R\*\*; and
- remove any negative information about loan five from Mrs R's credit file.

\*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mrs R 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 principal balance, it must do so after deducting tax.

\*\*If after carrying out the above steps there is still an outstanding balance, I remind Satsuma of its obligation to treat Mrs R reasonably and sympathetically if she puts forward any repayment proposals.

**my final decision**

My final decision is that I uphold this complaint in part. In full and final settlement, Provident Personal Credit Limited (trading as Satsuma) should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 22 December 2019.

Gemma Bowen  
**ombudsman**