

complaint

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

background

The background to this complaint was set out in my provisional decision dated 28 October 2019, an extract of which is attached and forms part of this final decision. So, I won't repeat that information here.

my provisional decision

In my provisional decision I set out why I thought that Satsuma shouldn't have given Mr N loans three to eight and what I intended to direct it to do to put matters right.

responses to my provisional decision

Mr N agreed with my provisional decision. We didn't receive a response from Satsuma.

my findings

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

Given that neither Mr N nor Satsuma has provided me with anything further on the complaint, I see no reason to depart from the conclusions I reached in my provisional decision. So, I don't think Satsuma should have given Mr N loans three to eight and I think it should put matters right as set out in my provisional decision.

my final decision

My final decision is that I uphold Mr N's complaint in part. I now require Provident Personal Credit Limited, trading as Satsuma Loans to:

- refund all interest and charges Mr N paid on loans three to eight;
- 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 loan eight and pay Mr N the balance, if any. If there remains an outstanding balance owed to Satsuma in relation to loan eight, Satsuma should agree an affordable repayment plan with Mr N.
- remove any negative information about loan three from Mr N's credit file;
- the number of loans taken from loan four onwards means any information recorded about them is adverse. So all entries about loans four to seven should be removed from Mr N's credit file. Entries about loan eight should be removed once the capital owing on that loan has been repaid.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr N a certificate showing how much tax it has taken off, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 6 January 2020.

Louise Povey
ombudsman

extract of provisional decision**complaint**

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

background

Satsuma gave Mr N eight instalment loans between November 2013 and November 2018. Repayment of the loans was intended to be over periods ranging from 26 weeks to 12 months. Mr N repaid loans one to seven but loan eight remains outstanding. A summary of Mr N's borrowing with Satsuma is as follows:

	<i>date</i>	<i>£ amount borrowed</i>	<i>term at outset</i>	<i>date repaid</i>
1	<i>13 November 2013</i>	<i>300</i>	<i>26 weeks</i>	<i>21 November 2013</i>
2	<i>10 February 2014</i>	<i>250</i>	<i>26 weeks</i>	<i>10 March 2016</i>
3	<i>1 June 2016</i>	<i>600</i>	<i>52 weeks</i>	<i>26 September 2016</i>
4	<i>26 October 2016</i>	<i>1,100</i>	<i>52 weeks</i>	<i>3 March 2017</i>
5	<i>5 June 2017</i>	<i>1,100</i>	<i>12 months</i>	<i>8 January 2018</i>
6	<i>17 August 2017</i>	<i>100</i>	<i>12 months</i>	<i>28 August 2018</i>
7	<i>22 August 2017</i>	<i>1,100</i>	<i>11 months</i>	<i>1 October 2018</i>
8	<i>9 November 2018</i>	<i>300</i>	<i>12 months</i>	

Mr N says that he couldn't afford to repay the loans. He wants compensation, interest and certain information removed from his credit file.

One of our adjudicators assessed Mr N's complaint. He said that Satsuma shouldn't have given Mr N loans four to seven. He set out what Satsuma should do to put matters right.

Satsuma didn't agree with the adjudicator. It said:

- *The adjudicator had only considered the number of loans.*
- *Sustained or sequential borrowing doesn't show, in itself, that the customer is persistently reliant on borrowing.*
- *It carries out checks on every loan application.*
- *It looks at the sustainability of the loan at the time it carries out income and expenditure checks.*
- *The adjudicator hadn't considered the individual circumstances here.*

As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

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.

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 N 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.

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 N 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 Office of Fair Trading Irresponsible Lending guidance and later 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 N's complaint.

I don't think that Satsuma was wrong to give Mr N loans one and two. Given the repayments, what was apparent about Mr N's circumstances at the time and his history with Satsuma, I don't think it would've been proportionate for Satsuma to ask Mr N for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr N provided or the information Satsuma should've been aware of, which meant it would've been proportionate for Satsuma to start verifying what Mr N said about his financial position before loans one and two.

I don't think that Satsuma should have given Mr N loan three. I think that by loan three, Mr N had shown signs that he was struggling to manage his money. Mr N had taken considerably longer than initially planned to repay loan two. I noted that in one exchange between Mr N and Satsuma, Mr N says that he had forgotten about the loan. Before loan three, Satsuma was aware that Mr N hadn't repaid loan two as planned. In those circumstances, I think Satsuma ought to have realised it was unlikely that Mr N would've been able to repay further loans in a sustainable way.

I've also looked at the overall pattern of Mr N's lending history with Satsuma, with a view to seeing if there was a point at which Satsuma should reasonably have seen that further lending was unsustainable or otherwise harmful and so shouldn't have provided any further loans. Given the particular circumstances of Mr N's case, I think that this point was reached by loan four. By loan four, Mr N's overall pattern of borrowing suggested that he had become reliant on short-term loans. Mr N had been borrowing from Satsuma for almost three years. And the amount he wanted to borrow increased considerably. Loans four, five and seven were for almost four times what he'd initially borrowed. And loans six and seven were taken out before he'd repaid what he already owed to Satsuma.

Mr N wasn't making any real inroads to the amount he owed Satsuma. Loan eight was taken out five years after Mr N's first loan with Satsuma. Mr N had paid large mounts of interest to, in effect, service an intermittent debt to Satsuma over an extended period.

I think that Mr N lost out because Satsuma continued to provide borrowing from loan four onwards because these loans had the effect of unfairly prolonging his indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time. And the number of loans was likely to have had negative implications on Mr N's ability to access mainstream credit and so kept him in the market for these high-cost loans.

For the reasons I've set out above, I intend to uphold Mr N's complaint about loans three to eight.

putting things right – what I intend to direct Satsuma to do

- *refund all interest and charges Mr N paid on loans three to eight;*
- *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 loan eight and pay Mr N the balance, if any. If there remains an outstanding balance owed to Satsuma in relation to loan eight, Satsuma should agree an affordable repayment plan with Mr N.*
- *remove any negative information about loan three from Mr N's credit file;*
- *the number of loans taken from loan four onwards means any information recorded about them is adverse. So all entries about loans four to seven should be removed from Mr N's credit file. Entries about loan eight should be removed once the capital owing on that loan has been repaid.*

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr N a certificate showing how much tax it has taken off, if he asks for one.

my provisional decision

For the reasons I've set out above, my provisional decision is that I intend to uphold Mr N's complaint in part and direct Provident Personal Credit Limited, trading as Satsuma Loans, to put things right as indicated above.