

## complaint

Ms F says Provident Personal Credit Limited trading as Satsuma irresponsibly lent to her.

## background

This complaint is about three loans Satsuma provided to Ms F between October 2014 and September 2017. Ms F's borrowing history is set out on the table below as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	09/10/2014	12/01/2015	13 weeks	£300.00	£140.01
2	05/06/2015	30/09/2015	21 weeks	£600.00	£196.17
3	14/09/2017	03/11/2017	12 months	£1,000.00	£166.00

Ms F says that insufficient checks were carried out and Satsuma did not verify her outgoings. She has told us that the existence of other short-term loans should have alerted Satsuma to the possibility that she was dependent on short-term credit. She also says her repeat borrowing should have led Satsuma to carry out further checks to assess the accuracy of her information. In lending to Ms F this contributed to her debt spiral.

In its final response Satsuma said it had carried out checks on each of Ms F's loans and it was confident that well-informed and responsible lending decisions were made. It said it was unable to uphold her complaint.

Our adjudicator upheld Ms F's complaint and thought loan 3 shouldn't have been given. Satsuma didn't respond and as the parties haven't reached agreement the complaint was passed to me to make a final decision.

## 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 Ms F 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 consumer'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 is important for me to start by saying that Satsuma was required to establish whether Ms F 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 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. 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 Ms F's complaint. I've decided to uphold Ms F's complaint about loan 3. I will explain why.

Early on in the relationship I think Satsuma did proportionate checks. Ms F had declared her income as £4000 and her expenditure as £2300 for each loan and there was a gap of around five months between repayment of loan 1 and when Ms F borrowed loan 2. Looking at the credit file and the checks Satsuma carried out, I don't think Satsuma would have been alerted to the fact that these loan repayments were unaffordable or unsustainable.

Satsuma gave Ms F loan 3 over two years after loan 2 had been repaid so I think it's fair to say this started a new chain of borrowing. And again, I would have expected Satsuma to carry out proportionate checks. I think it did the same checks as it had done for loans 1 and 2. But in this case I think from its own checks it more likely would have been alerted to the fact that Ms F might have been having problems managing her money. I say this because from what I have seen Satsuma adjusted Ms F's own declared expenditure to leave her with a disposable income of £259.98. After repaying her monthly repayment for loan 3 Ms F would have been left with £93.98 each month from which to meet any other unusual or unexpected expenditure - for a period of 12 months. I don't think this likely left her with enough disposable income in case she had some unforeseen or emergency expenses over the term of 12 months in which she had to make her repayments.

I've explained above that although a loan may appear affordable on a pounds and pence basis it doesn't necessarily mean that a consumer can afford to repay the loan in a sustainable manner.

The regulations in place at the time provided guidance about what "sustainable" meant - the payments could be made without undue difficulties, on time, while meeting other reasonable

commitments and without having to borrow to meet the repayments, over the life of the agreement, and out of income or savings.

As Satsuma obtained this information, I don't think it was reasonable for it to conclude that Ms F was going to be able to sustainably repay loan 3 given how little money she'd be left with each month for twelve months.

I can also see from Satsuma's own checks it would have likely been aware that when Ms F took out loan 3 she also had four other accounts showing to be in arrears. All in all I think taking what Satsuma knew about Ms F's circumstances when she borrowed loan 3 it should have been alerted to the fact that Ms F was likely having problems managing her money and the repayments were unsustainable.

I can see Ms F repaid this loan early but just because Ms F did go on to repay the loan successfully doesn't mean she did so from sustainable sources. And if she had to borrow from elsewhere to meet her repayments – which given the figures she'd declared would suggest was more than likely – that wasn't sustainable.

In these circumstances I'm not persuaded that Satsuma acted responsibly when it provided loan 3 to Ms F.

So, I'm upholding the complaint about loan 3 and Satsuma should put things right.

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

- refund all interest and charges Ms F paid on loan 3;
- 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 negative information about loan 3 from Ms F's credit file;

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

#### **my final decision**

For the reasons given above, I'm partially upholding Ms F's complaint. Provident Personal Credit Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 23 May 2020.

Nicola Woolf  
**ombudsman**