

complaint

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

background

Mr G was given eight loans by Satsuma between April and November 2015. Most of the loans were repayable in weekly instalments over a three month period. The final loan was repayable over a period of six months. Mr G successfully repaid the first seven loans but a balance remained on his final loan when he made his complaint to Satsuma. A summary of Mr G's borrowing from Satsuma is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	14/04/2015	01/05/2015	£ 100
2	22/05/2015	25/06/2015	£ 100
3	26/06/2015	02/07/2015	£ 100
4	29/08/2015	22/10/2015	£ 100
5	31/12/2015	26/02/2016	£ 100
6	16/03/2016	24/03/2016	£ 100
7	08/04/2016	29/04/2016	£ 100
8	07/11/2016	-	£ 200

When he first complained to Satsuma, the lender agreed that it shouldn't have given loans 1 to 5, or loan 7, to Mr G. So Satsuma paid him some compensation that it used to reduce the outstanding balance on the final loan. But Satsuma didn't think it had been wrong to give loan 6 or loan 8 to Mr G. So Mr G brought his complaint to this Service.

Mr G's complaint has been assessed by one of our adjudicators. Ultimately he concluded that it had been reasonable for Satsuma to give loan 6 to Mr G. But he didn't think Satsuma should have given Mr G loan 8. And he thought the lender ought to do more in relation to removing information about loan 7 from Mr G's credit file. So he asked Satsuma to pay Mr G some further compensation.

Satsuma accepted our adjudicator's recommendations. But when we put that offer to Mr G's representatives we didn't receive a response. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr G accepts my decision it is legally binding on both parties.

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 that 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 a 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've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr G's complaint.

I think that the redress Satsuma has already paid to Mr G in relation to loans 1 to 5 is exactly what I'd have asked it to do if I had upheld Mr G's complaint about these loans. So I don't think I need to consider them further in this decision.

By the time Mr G asked for loan 6 he'd been borrowing from Satsuma for some time. There had been a number of short breaks in his borrowing that might have given Satsuma some confidence that he wasn't entirely dependent upon its lending. But on balance I think Satsuma should have been concerned about whether it knew enough about Mr G's true financial situation. So I don't think the checks it did here were proportionate. We asked Mr G for copies of his bank statements so we could see what better checks would have shown Satsuma. He didn't provide these to us. So I'm not able to say that better checks would have shown Satsuma that it shouldn't have given loan 6 to Mr G.

But looking at the overall pattern of Satsuma's lending history with Mr G I think by loan 7 the lender should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Satsuma should have realised that it shouldn't provide further loans.

I say this because:

- This was now Mr G's seventh loan request and he'd been borrowing from Satsuma for almost a year. Each of the loans Mr G had taken had been repayable over a period of around three months. But Mr G regularly paid those loans off far earlier than planned, but borrowed similar amounts shortly afterwards. I think that pattern of

frequent borrowing and repaying early should have indicated to Satsuma that Mr G was most likely having significant problems managing his money.

- When Mr G asked for loan 7 he wasn't making any inroads to the amount he owed the lender. Each of the loans he'd taken at that point had been for similar amounts.
- There was a gap of around six months between loans 7 and 8. That might have given some reassurance to the lender that Mr G was getting on top of his finances. But the amount he asked to borrow was double all his previous loans, and he'd asked to repay the loan over twice the length of time. So on balance I don't think the gap in Mr G's borrowing was long enough to clearly show he was no longer dependent of borrowing from Satsuma.

I think that Mr G lost out because Satsuma gave him loans 7 and 8 because:

- these loans had the effect of unfairly prolonging Mr G's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time.
- the sheer number of loans was likely to have had negative implications on Mr G's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I don't think Satsuma should have agreed to give Mr G loans 7 or 8. Satsuma needs to pay Mr G some compensation.

putting things right

I don't think Satsuma should have agreed to give Mr G loans 7 or 8. So Satsuma should;

- Refund any interest and charges paid by Mr G on loan 8 – it has already refunded the interest and charges Mr G paid on loan 7.
- 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*.
- The number of loans taken before loan 7 means any information recorded about loans 7 and 8 is adverse. So all entries about loans 7 and 8 should be removed from Mr G's credit file.

*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.

The compensation that Mr G was paid by Satsuma at the outset reduced the balance he owed on loan 8. And removing any interest and charges from that outstanding balance will reduce it further. It is reasonable for Satsuma to use the additional compensation to fully repay loan 8, and then pay any additional amount to Mr G.

my final decision

My final decision is that I uphold most of Mr G's complaint and direct Provident Personal Credit Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 February 2020.

Paul Reilly
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