

## complaint

Mr O complains that Provident Personal Credit Limited (trading as Satsuma) offered him unsuitable loans.

Mr O wants Satsuma to refund the interest that he's paid on the loans and apply the refund to the outstanding balance on his final loan. Mr O wants Satsuma to remove details about the loans from his credit file.

## background

Mr O took out four instalment loans with Satsuma. A summary of the loans is as follows:

| No. | Date of Loan   | Loan amount | Term     | Date Repaid |
|-----|----------------|-------------|----------|-------------|
| 1   | September 2016 | £500        | 13 weeks | 09/01/2017  |
| 2   | October 2016   | £800        | 39 weeks | 09/01/2017  |
| 3   | February 2017  | £200        | 3 months | 20/04/2017  |
| 4   | April 2017     | £1,000      | 9 months | N/a         |

Mr O says Satsuma shouldn't have agreed the loans as he was in a poor financial situation at the time. Mr O says that Satsuma should've seen a number of defaults on his credit file.

The adjudicator didn't recommend that Mr O's complaint be upheld. She thought that Satsuma's checks went far enough before agreeing loans one and two. And that based on the information that Mr O gave to Satsuma these two loans appeared affordable.

By loan three, the adjudicator thought that Satsuma should've been asking Mr O about his other short term loans. And before agreeing loan four, the adjudicator thought that Satsuma should've tried to independently verify the financial information that Mr O had given. However, the adjudicator thought that even with better checks, it would've been reasonable of Satsuma to still agree to lend.

Mr O disagreed with the adjudicator's recommendation. Mr O said he was making regular payments to people at the time of the loans which indicated that he wasn't managing his money well. Mr O said that it was obvious from his bank statements that he had a gambling problem.

Mr O also said that he had a number of defaults on his credit file, particularly around the time of loans three and four.

### *my provisional findings*

After considering all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, I was minded to uphold this complaint in part.

Satsuma was required to lend responsibly. It needed to check that Mr O could afford to repay each loan before agreeing to lend. There wasn't a set list of checks that it had to carry out. But any checks had to be proportionate to things such as the amount to be repaid and any borrowing history.

*loans one and two*

Mr O told Satsuma that his monthly income was around £2,770. Mr O declared expenses that ranged between £1,700 and £1,800.

Given the relatively modest amount that Mr O was due to repay each month on loans one and two, I thought that Satsuma's checks were proportionate.

It was reasonable of Satsuma to rely on the information to decide that Mr O could afford the repayments on loans one and two. It followed that I didn't uphold this aspect of Mr O's complaint.

*loan three*

The credit check that Satsuma carried out before agreeing loan three showed that Mr O still owed money to other short term lenders. I thought this should've reasonably prompted Satsuma to ask some more questions than it did.

But even if Satsuma had added Mr O's other short term loans to his declared outgoings, it would've still appeared to Satsuma that he could afford to repay loan three from his disposable income.

Although Mr O had defaults on his own credit file, I could see that the most recent of these was from early 2015. Satsuma said that the checks it carried out didn't reveal any payday loan defaults within the previous 12 months. So I couldn't reasonably say that Satsuma should've tried to verify the financial information that Mr O gave by asking to see evidence such as bank statements. This meant that Satsuma wouldn't have known about Mr O's gambling problem unless he'd made it aware of it.

*loan four*

This is where I provisionally reached a different decision to the adjudicator. By loan four, Mr O had been borrowing regularly from Satsuma. Mr O took on loan four shortly after repaying loan three. I thought these factors should've alerted Satsuma to the possibility that Mr O might have become dependent on short term loans.

I considered that it would've been reasonable to expect Satsuma to independently verify the information that Mr O gave about his finances. Satsuma could've done this in a variety of ways. I used Mr O's bank statements to decide what better checks would've shown.

I thought that if Satsuma had carried out a proportionate check before loan four, it would've decided that Mr O couldn't afford to take on further debt because he was gambling regularly.

Mr O spent more than £1,450 on gambling transactions in the month leading up to taking out loan four. This meant that together with Mr O's regular outgoings and short term credit commitments of around £2,190 he didn't have enough disposable income to afford the monthly repayments of £222.

If Satsuma had been aware of Mr O's gambling problems, as a responsible lender, I didn't think it would've agreed to lend.

Mr O still owed money on loan four to Satsuma. I thought it was fair to allow Satsuma to apply any refund against the outstanding balance if it wanted.

#### *further submissions*

Satsuma agreed to my provisional decision. Mr O said that he didn't have anything more to add.

#### **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As Satsuma agrees to put things right in line with my provisional decision and Mr O doesn't want me to consider anything further, I consider it's reasonable to make my final decision along the same lines.

#### **putting things right**

To put things right, Satsuma should:

- Refund any interest and charges Mr O paid on loan four;
- 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 or charges on loan four;
- If it chooses to, apply the refund to any outstanding principal balance on loan four and pay Mr O any remaining balance (if there is any) \*\*; and
- Remove any negative information about loan four from Mr O's credit file.

\*HM Revenue & Customs require Satsuma to take off tax from this interest. Satsuma must give Mr O a certificate showing how much tax it's taken off if he asks for one. If Satsuma intends to apply the refund to reduce any outstanding principal balance, it must do so after taking off the tax.

\*\* If after carrying out the above steps there's still a principal balance due to pay, I remind Satsuma of its obligation to treat any repayment offer that Mr O might make, sympathetically and reasonably.

#### **my final decision**

My decision is that I uphold this complaint in part. In full and final settlement I require Provident Personal Credit Limited (trading as Satsuma Loans) to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 1 June 2019.

Gemma Bowen  
**ombudsman**