

complaint

Miss L says Provident Personal Credit Limited trading as Satsuma irresponsibly lent to her.

background

This complaint is about two loans Satsuma provided to Miss L between September 2016 and June 2018. Miss L's borrowing history is set out on the table below as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	19/09/2016	13/01/2017	13 weeks	£410.00	*£180.52
2	11/06/2018	outstanding	12 months	£500.00	£83.00

*The first loan repayment is based on four weekly repayments at £45.13.

Miss L is represented by a third party and for ease I shall refer to him as Mr L throughout this decision.

Mr L has told us Miss L had a medical condition which made it difficult for her to hold a job and as a result she had no income. He said he didn't understand how Satsuma was able to verify any income or approve the loans it gave to her. Mr L explained that Miss L's outgoings were paid by her family who contacted Satsuma when they found out about Miss L's borrowing. He said they explained to Satsuma Miss L's particular circumstances and requested that no further loans were made. Despite this request not to provide any further loans, loan 2 was provided to Miss L.

In its final response Satsuma told Miss L that it had requested health forms to be completed to assist in understanding Miss L's situation and were only able to use the information it had evidence for. It said it had used a wide range of data sources to ensure it was using the most accurate and up to date information about Miss L's existing credit commitments, living expenses and income. It said the checks it carried out didn't demonstrate the loans issued were unaffordable or unsustainable at the time of the applications. It said it would not uphold Miss L's complaint.

Satsuma also said that in relation to Miss L's concern that Satsuma had been asked not to provide further loans, it said it had investigated the situation and identified that a call was made on 13 January 2017 in which Miss L's representative had asked for her not to be provided with any further loans. It said the operator confirmed that the credit bureaus should be contacted who could help with this aspect. And further it said that as it was not made aware of Miss L's circumstances at the time it was unable to take the appropriate action to prevent further lending being accepted on its system.

Our adjudicator upheld Miss L's complaint about loan 2. Based on the information Satsuma had about Miss L's circumstances she said this loan shouldn't have been given and to put things right she suggested that Satsuma should write off loan 2 in its entirety. Satsuma didn't respond and as the parties have not reached agreement the complaint was passed to me for 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 Miss L 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 Miss L 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 Miss L's complaint. I've decided to uphold Miss L's complaint about loan 2. I will explain why.

When Satsuma gave Miss L loan 1, it did various checks. As it was early in the lending relationship, I think the checks were proportionate and based on what Miss L told Satsuma

about her income and her expenditure, the loan would have appeared affordable, so I can't say it was unfair for it to have provided loan 1.

There was a gap between the time Miss L repaid loan 1 and when she took out loan 2 of over one year. This would usually be enough for me to say that the checks Satsuma did for loan 2 were also proportionate. But I have considered the particular circumstances of this case and after taking everything into account, I don't think Satsuma should have given loan 2.

Mr L has explained to us that Miss L was suffering from a medical condition which prevented her from working - and as a result she had no income which could be verified and no way of repaying her debt. He also told us that he called Satsuma in January 2017 to repay Miss L's loan 1 and requested it not to give any further amounts to Miss L due to her circumstances. I have thought carefully about what Mr L has said.

In particular, I note in its final response to Miss L, Satsuma referred to the call Miss L's representative made on 13 January 2017 and asked for Miss L not to be provided with any further loans. Given what we've been told by Mr L it seems likely that the call with Satsuma ended with Mr L expecting that Satsuma would not lend to Miss L again. Given what Mr L likely told Satsuma, this ought to have been enough to have at least put Satsuma on notice that no further loans should have been made to Miss L. I think Satsuma were likely to have been alerted to Miss L's difficulties when her representative made the call. In addition, Mr L's account of events has been consistent and the final response letter from Satsuma supports what he has told us, so I accept what he has said.

In the circumstances of this case Satsuma shouldn't have given Miss L loan 2.

So, I'm upholding the complaint about loan 2 and Satsuma should put things right.

putting things right – what Satsuma needs to do

Satsuma shouldn't have given Miss L loan 2.

I understand there is a balance outstanding on this loan. If Satsuma has sold the outstanding debt it should buy this back if it is able to do so and then take the following steps. If it is not able to buy the debts back, then it should liaise with the new debt owner to achieve the results outlined below.

- A) Satsuma should remove all interest, fees and charges from the balance on loan 2, and treat any repayments made by Miss L as though they had been repayments of the principal on loan 2. If this results in Miss L having made overpayments then Satsuma should refund these overpayments with 8% simple interest† calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- B) If there is still an outstanding balance, then Satsuma should write off this balance in its entirety and end Miss L's liability for loan 2 so she makes no further payment. If there is a surplus, then the surplus should be paid to Miss L.
- C) Satsuma shouldn't have given loan 2 to Miss L. As it did any information recorded is adverse, so Satsuma should remove this loan entirely from the credit file.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Miss L 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 Miss L'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 Miss L to accept or reject my decision before 22 May 2020.

Nicola Woolf
ombudsman