

complaint

Mr L says Provident Personal Credit Limited trading as Satsuma irresponsibly lent to him.

background

This complaint is about four loans Satsuma provided to Mr L between June 2016 and September 2017. Mr L's borrowing history is set out on the table below:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	15/06/2016	09/12/2016	26 weeks	£500.00	£184.15
2	03/09/2016	20/01/2017	26 weeks	£470.00	£285.80
3	28/02/2017	26/11/2017	10 months	£550.00	£110.00
4	14/09/2017	26/02/2018	12 months	£660.00	£219.56

Mr L said that the proper checks were not carried out and he didn't think any of the loans would be issued if his statements had been checked, as he had other short-term loans with other lenders. He also said he was struggling to pay his current overdraft and everyday expenses. Mr L also told us Satsuma offered a new loan on the same day as repaying his first loan and his third loan was given as he was part way paying off his second loan. His fourth loan meant he was in great debt, encouraged him to borrow more than he could truly afford, and it has affected his health.

In its final response, to Mr L, Satsuma said it would not uphold his complaint. It told Mr L it had carried out various checks which did not demonstrate the loans issued were unaffordable or unsustainable at the time of the applications.

Initially, our adjudicator didn't uphold this complaint. She said she didn't think it would have been proportionate to ask for the amount of information needed to show the lending was unsustainable. Later, she thought Satsuma should have taken steps to build a better picture of Mr L's financial situation. But she said she hadn't seen anything in the information provided which might suggest the lender would have known that the repayment of the loans was unsustainable. Mr L disagreed with this view. He said if the proper checks had been carried out, he wouldn't have been issued with loans 3 and 4.

Another adjudicator reviewed the complaint and told both parties that he thought that loans 2,3 and 4 should not have been given. Satsuma didn't respond so 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 Mr 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 Mr L 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 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 Mr L's complaint. Having done so, I have decided to uphold loans 2,3 and 4.

As our second adjudicator explained when Satsuma gave loan1 to Mr L, it was early in the relationship and I think the checks Satsuma did were proportionate and wouldn't have indicated that the repayments for this loan were unaffordable.

But on its own checks Satsuma said it applied safeguarding buffers and worked out that Mr L's disposable income after repaying the loans would have been £19.07 for loan 2 and £40.49 when Mr L borrowed loan 3. When Mr L borrowed loan 2 he still had loan 1 outstanding and looking at the amounts Mr L would have had available to him in disposable income for both loans 2 and 3, I don't think he would have had enough for any unforeseen expenditure he might have needed. I think Satsuma should have been alerted to the fact that the repayments for loans 2 and 3 were unsustainable.

When Mr L borrowed loan 4, this time Mr L had loan 3 still outstanding. His recorded disposable income by Satsuma was £95.78- so it was higher than it had been for loans 2 and 3. But at this point, Mr L had now been indebted to Satsuma for over a year without any

substantial break and loan 4 for £660 was the largest amount Mr L had asked to borrow over a longer period of twelve months. So, I think further checks should have been carried out so that a more detailed picture could be gained of Mr L's financial circumstances. If it had carried out further checks I think it would have been made aware that Mr L was already indebted to around three other short-term lenders and still had loan 3 outstanding. So, I think Satsuma should have been alerted to the fact that Mr L was having problems managing money and that his repayments for loan 4 were also likely unaffordable and unsustainable.

So I'm upholding the complaint about loans 2,3 and 4 and Satsuma should put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Mr L paid on 2,3 and 4;
- 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 2,3 and 4 from Mr L's credit file;

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

my final decision

For the reasons given above, I'm partially upholding Mr 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 Mr L to accept or reject my decision before 7 May 2020.

Nicola Woolf
ombudsman