

Miss H says Provident Personal Credit Limited trading as (“Satsuma”) irresponsibly lent to her.

### background

This complaint is about 8 payday loans Satsuma provided to Miss H between. The loans were of varying terms from 13 to 52 weeks. All the loans overlapped with another loan, for example Loan 2 was taken out before Loan 1 was repaid, Loan 3 was then taken out while Loan 2 was running and so on.

Loan Number	Date Taken	Amount Borrowed	Date Repaid
Loan 1	16/06/15	£500.00	17/12/15
Loan 2	05/09/15	£200.00	05/05/16
Loan 3	13/01/16	£400.00	11/08/16
Loan 4	20/05/16	£600.00	09/02/17
Loan 5	24/09/16	£100.00	24/11/16
Loan 6	01/12/16	£200.00	22/06/17
Loan 7	01/12/16	£700.00	Outstanding
Loan 8	22/06/17	£600.00	Outstanding

Satsuma, prior to the complaint being brought to this service, decided that Loan 1 had been mis-sold and refunded the interest and charges paid for this loan plus 8% simple interest per annum. It then deducted this figure from the outstanding balance of Loan 7, which in effect wrote off this balance entirely and a small amount of what was outstanding for Loan 8.

Our adjudicator upheld Miss H’s complaint and thought the loans from 6 onwards shouldn’t have been given. Satsuma did not respond and therefore the complaint was passed to me.

As neither party disagreed with the adjudicator’s assessment regarding loan 2-5 and as loan 1 has already been refunded to the level which we would expect had we upheld Miss H’s complaint about this loan. I will only be looking at loan 6, 7 and 8.

### 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 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 H 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 H 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 H's complaint.

I've looked at the overall pattern of Satsuma's lending history with Miss H, with a view to seeing if there was a point at which Satsuma should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Satsuma should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Miss H's case, I think that this point was reached by loan 6. I say this because:

- At this point Satsuma ought to have realised Miss H was not managing to repay her loans sustainably. Miss H had taken out 6 loans within almost 18 months and Miss H had been indebted to Satsuma continuously during this time.
- Miss H took out new loans while other loans were still running, or she took out a new loan within a short time of paying one off. So, Satsuma ought to have realised it was more likely than not Miss H was having to borrow further to cover the hole repaying her previous loan was leaving in her finances and that Miss H's indebtedness was increasing unsustainably.
- Miss H's first loan was for £500 and loan 6 was for £200 – but loan 4 was still running and on the same day a £700 loan was also granted. At this point Satsuma ought to have known that Miss H was not likely borrowing to meet a temporary shortfall in her income but to meet an ongoing need.

- From loan 6 onwards the pattern didn't change. Miss H took out Loan 7 the same day, and then Loan 8 the day she repaid Loan 6.
- Miss H wasn't making any real inroads to the amount she owed Satsuma. Loan 8 was taken out 25 months after Miss H's first. And it was for a larger amount. Miss H had paid large amounts of interest to, in effect, service a debt to Satsuma over an extended period.

I think that Miss H lost out because Satsuma continued to provide borrowing from loan 6 onwards because:

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

So I'm upholding the complaint about 6,7 and 8 and Satsuma should put things right as detailed below.

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

- refund all interest and charges Miss H paid on loan 6;
- Add 8% interest to the refund from above
- I understand that Satsuma has used a refund on Loan 1 of approximately £422 to offset the balance of approximately £382 that was outstanding on Loan 7 and some of what remains outstanding on Loan 8. But because I am upholding Miss H's complaint about these loans, she should not have to repay more than the capital amount and these outstanding balances are made up of both capital and interest. So, the remaining amount outstanding should be re-worked in line with this.
- If all outstanding debt has been repaid 8% interest should be added to any surplus. But if there is still an outstanding balance then Satsuma can use the refund due for loan 6 to repay the amount.
- the number of loans taken from 6 onwards means any information recorded about them is adverse. So, all entries about loan 6, 7, 8 should be removed from Miss H's credit file.

† HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Miss H 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 H's complaint. Provident Personal Credit Limited trading as ("Satsuma") should pay Miss H compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 December 2019

Charlie Newton  
**ombudsman**