

## **complaint**

Mrs W complains that Provident Personal Credit Limited (trading as Satsuma) was irresponsible to offer her loans. She asks that it refunds interest and removes any adverse information from her credit file. Mrs W is represented by a claims management company.

## **background**

Mrs W took out six loans with Satsuma between July 2015 and September 2017. Her representative says she was dependant on short term loans and Satsuma's loans made her situation worse. It says Satsuma didn't carry out affordability checks.

Our adjudicator recommended that the complaint should be upheld. She said it wasn't wrong for Satsuma to offer loans 1 to 3. But it shouldn't have given Mrs W loans 4 to 6. By the time she asked for loan 4, Mrs W had been borrowing from Satsuma for 20 months. She took out loan 4 in the same month that she repaid the previous loan and it was for a larger amount. Our adjudicator said this suggests Mrs W was reliant on short term loans.

Satsuma didn't agree and so the complaint has been passed to me.

## **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 Mrs W 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 Mrs W'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 suggest that Satsuma should have done more to establish that any lending was sustainable for a customer. Such factors include the customer's income – particularly a lower income – the amount of the loan repayments and the time over which the loan is to be repaid, and the number and frequency of loans and the time over which the customer has been given loans. Repeated borrowing can signal that the borrowing has become, or is becoming, unsustainable. There may even come a point where the lending history and pattern of lending itself demonstrates that the lending was unsustainable.

I would also note here that Satsuma was required to establish whether Mrs W could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Mrs W took out the following loans with Satsuma:

Loan No	Amount	Date of loan	Date repaid	Term	Monthly repayment
1	£700	25.07.2015	13.10.2015	52 weeks	£111
2	£700	13.11.2015	01.08.2016	52 weeks	£116
3	£220	28.12.2016	02.03.2017	3 months	£108
4	£1,000	15.03.2017	02.06.2017	12 months	£166
5	£300	17.07.2017	06.09.2017	6 months	£95
6	£1,500	06.11.2017	02.02.2018	12 months	£249

When she took out loans 1 to 3 Mrs W told Satsuma her monthly income was about £2,100. Based on the information Mrs W provided, its credit check and its internal models Satsuma estimated her monthly outgoings as about £1,400. Satsuma provided a summary of the results of its credit checks and I don't think this would have alerted it to any problems. I don't think Satsuma had any reason to think loans 1 and 2 weren't affordable or that further checks were needed.

Mrs W missed or was late with repayments for loan 2 in December 2015 and each of January, February, March, April and July 2016. Satsuma was unable to take payments using its continuous payment authority. Mrs W gave Satsuma reasons for each late payment and she made each payment soon after the date it was due. But I think repeated late payments could suggest a problem, such as financial hardship.

But, I've also taken into account the amount of the loan (which was smaller than the previous loan) and that there was a gap of about four months between Mrs W repaying loan 2 and taking out loan 3. This could have suggested to Satsuma that Mrs W wasn't reliant on its loans. Given the amount of the loan and Mrs W's income, and that the loan would be repaid over a shorter period than previous loans, I don't think proportionate checks would have given Satsuma reason to think it wasn't affordable.

Mrs W was also was late with her repayment for loan 3 in February 2017. She settled loan 3 in early March 2017. But she asked for loan 4 less than two weeks later. By the time Mrs W took out loan 4 she'd been borrowing from Satsuma since July 2015 – she'd had a loan outstanding in all but five of 20 months. And loan 4 was for a larger amount than the previous loans. Mrs W continued to borrow from Satsuma without any significant breaks until early 2018.

The information Satsuma had about Mrs W's income and outgoings suggested she'd be able to afford the repayments for loan 4. But I think Mrs W's borrowing history should have alerted Satsuma to the risk that she was in financial hardship and reliant on short term loans.

I don't think it was reasonable for Satsuma to offer loans 4 to 6 to Mrs W. I think, based on the information it had, it should have known further borrowing wasn't sustainable.

I don't think Satsuma needed to ask for Mrs W's bank statements or other evidence – I think the information it had was enough for it to know the lending wasn't sustainable. But, for completeness, Mrs W's bank statements show she had loans from a number of other short term lenders. Her account was overdrawn and she incurred fees for unpaid transactions. So if Satsuma had carried out further checks I think it's likely it would have reached the conclusion that Mrs W was in financial hardship and further borrowing wasn't sustainable.

I don't think Satsuma should have offered loans 4 to 6 to Mrs W. So it should:

- refund all interest and charges paid by Mrs W on loans 4 to 6;
- 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 all entries about loans 4 to 6 from Mrs W's credit file.

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

### **my final decision**

My decision is that I uphold this complaint. I order Provident Personal Credit Limited to take the steps and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 11 November 2019.

Ruth Stevenson  
**ombudsman**