

complaint

Mr P complains that Provident Personal Credit Limited (trading as Satsuma Loans) was irresponsible to lend to him.

background

Mr P had seven loans from Satsuma between August 2014 and June 2016 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment*</u>	<u>Due</u>	<u>Repaid</u>
1	7 Aug 2014	£300	13w	£140.01	7 Nov 2014	18 Oct 2014 Early
2	13 May 2016	£490	26w	£156.39	11 Nov 2016	16 May 2016 Cancelled
3	16 May 2016	£800	26w	£255.32	18 Nov 2016	20 May 2016 Cancelled
4	25 May 2016	£800	39w	£176.89	24 Feb 2017	8 Jun 2016 Cancelled
5	8 Jun 2016	£600	34w	£152.19	3 Feb 2017	9 Jun 2016 Cancelled
6	9 Jun 2016	£500	39w	£110.57	10 Mar 2017	10 Jun 2016 Cancelled
7	10 Jun 2016	£500	47w	£91.74	5 May 2017	Outstanding Sold

* Average scheduled monthly repayment over the term of the loan

Mr P says Satsuma should have done better checks before it lent to him. He says it allowed him to borrow numerous times despite the fact he had multiple other loans and a gambling addiction.

Satsuma says it asked Mr P about his income and expenditure and checked his credit file before it approved each of the applications. It says it adjusted Mr P's declared expenditure upwards as a result of what it saw on his credit file, but it still found each of the loans to be affordable to him.

Our adjudicator recommended the complaint should be upheld in part. He said that by loan 4 he thought proportional checks would have shown Mr P was having problems managing his money as he was spending large amounts on gambling. He added that, by loan 7, the pattern of borrowing itself suggested Mr P had become reliant on short-term lending so was unlikely to be able to sustainably repay the loans. Our adjudicator recommended Satsuma should refund interest and charges on loans 4 to 7 (plus 8% statutory interest) and remove negative information about loans 4 to 6 from Mr P's credit file. He said it should also remove loan 7 from Mr P's credit file in its entirety.

Neither Mr P, nor Satsuma, responded to the adjudicator's recommendation.

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 P 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 customer'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 P could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the 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 Consumer Credit Sourcebook ("CONC") defines 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 P's complaint.

Loan 1

As this was Mr P's first loan with Satsuma, and Satsuma asked for income and expenditure information and checked his credit file, I don't consider it needed to carry out further checks. There was nothing in the available information that suggested Mr P was in financial difficulties, so I can't conclude it was wrong to approve loan 1.

Loans 2 and 3

It was 19 months before Mr P applied for his second loan with Satsuma, so it was entitled to consider the application as part of new loan chain. For this, and loan 3, Satsuma asked Mr P about income and expenditure and checked his credit file and I can't see there was anything in the information that would have indicated the loans were unaffordable to Mr P.

Loans 4 to 6

By the time Mr P applied for loan 4, he'd cancelled both loans 2 and 3 and applied for the higher amount of £800 to be repaid over a longer term of 39 weeks. Given he'd told Satsuma that his disposable income was almost £1,900 per month, I think this attempt to reduce his monthly repayments should have prompted Satsuma to do better checks.

For loan 4 onwards, I consider Satsuma should have carried out a full financial review as Mr P's application history suggested he may have been in financial difficulties. Had it done so, it would have seen that not only was Mr P using other short-term lenders, but he was also gambling a significant amount of money each month.

So I don't find Satsuma should have approved any of loans 4 to 6.

Loan 7

I've also looked at the overall pattern of Satsuma's lending history with Mr P, 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 Mr P's case, I think that this point was reached by loan 7. I say this because:

- Loan 7 was Mr P's sixth application in quick succession and his pattern of borrowing and cancelling loans was erratic. So Satsuma ought to have realised it was more likely than not Mr P was having problems managing his money;
- Mr P wasn't making any real inroads to the amount he wanted to borrow from Satsuma. Loan 7 was applied for about a month after loan 2, and it was for roughly the same amount. But the borrowing period was extending each time which should have suggested to Satsuma that he couldn't afford the higher repayments.

I think that Mr P lost out because Satsuma continued to approve his loan applications. I think it's likely that the sheer number of loan applications in such a short period had negative implications on Mr P's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm upholding the complaint about loans 4 to 7 and Satsuma should put things right.

my final decision

My decision is that I uphold this complaint. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- Refund all interest and charges that Mr P paid on loans 4 to 7;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Write off any unpaid interest and charges for loan 7, apply the refund to reduce any capital outstanding and pay any balance to Mr P;
- Arrange to repay any portion of the sum due to the third party that is made up of interest and charges – including any added by the third party;

- Pay Mr P interest and charges he has already paid to the third party plus 8% interest simple per annum on each amount from the date of payment to the date of settlement;
- Remove any negative information about loans 4 to 6 from Mr P's credit file.
- The number of loans taken by loan 7 means any information recorded about it is adverse. So all entries about loan 7 should be removed from Mr P's credit file once the loan has been repaid;
- Request the third party to remove any information it may have recorded about loan 7 once the loan has been repaid.

*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr P 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 capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 September 2019.

Amanda Williams
ombudsman