

complaint

Mr W complains that the loans he had from Provident Personal Credit Limited (trading as Satsuma Loans) were unaffordable to him.

background

Mr W had five loans from Satsuma between November 2014 and August 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Repaid</u>
1	19 Nov 2014	£100	13w	£46.67	18 Aug 2015
2	18 Jul 2015	£100	13w	£46.67	16 Jun 2018
3	28 Jan 2018	£100	6m	£31.60	1 Aug 2018
4	17 Jun 2018	£100	3m	£49.20	1 Oct 2018
5	13 Aug 2018	£200	8m	£50.00	Outstanding

Mr W says that he had other debts at the time of the lending, including an existing Satsuma loan which was in arrears. He says the borrowing worsened his financial situation and he couldn't meet his priority bills without borrowing again. Mr W says this caused him to get into a debt spiral.

Satsuma upheld Mr W's complaint about loans 1 and 2. But it says that, based on the checks it carried out for loans 3, 4 and 5, that there was nothing to indicate they were unaffordable. It says it asked Mr W about his income and expenditure and used information from his credit file to assess the affordability of the loans.

Our adjudicator recommended Mr W's complaint about loans 3 to 5 should also be upheld. She found Mr W was showing signs that he was struggling to repay his previous loan when he applied for loan 3. She also said that his pattern of borrowing suggested he'd become reliant on short-term lending by the time he applied for loan 4. Our adjudicator recommended interest and charges (plus 8% statutory interest) on loans 3 to 5 should be refunded and that adverse information about loan 3 should be removed from Mr W's credit file. She added that loans 4 and 5 should be removed from his credit file entirely.

Satsuma did not respond to the adjudicator's recommendation.

Mr W responded to say that Satsuma had now passed his account to a third party debt collection agency.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Satsuma was required to lend responsibly. It should have made checks to make sure Mr W could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr W was borrowing, and his lending history. But there was no set list of checks Satsuma had to do.

I'm satisfied Satsuma has already settled Mr W's complaint about loans 1 and 2, so I shall only consider his complaint about loans 3 to 5 here.

Loan 3

When Mr W applied for loan 3, Satsuma should have seen he'd repaid loan 1 late and loan 2 was still outstanding. Given that Mr W had clearly shown signs he was struggling to manage his money, I consider Satsuma should have carried out a full financial review before lending to him. I can't see it did that, so I've had a look at what such a review would have shown.

If Satsuma had done proportionate checks, it would have seen Mr W had six defaults on his credit file, two outstanding short-term loans and was on a debt management plan. So I think it's likely Mr W couldn't sustainably repay loan 3 and Satsuma shouldn't have approved it.

Loans 4 and 5

Mr W applied for loan 4 the day after he repaid loan 2, and before he'd repaid loan 3. I consider that, by this stage, his pattern of borrowing itself should have indicated to Satsuma that Mr W was unlikely to be able to sustain the repayments. Mr W had been in debt to Satsuma for well over three years by this stage, was still using other short-term lenders and did not appear to be using the loans as a temporary cash flow solution. So I don't consider Satsuma should have approved loans 4 or 5.

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 W paid on loans 3 to 5;
- Pay interest of 8% simple a year on refunds from payment date to settlement date*;
- Write off any unpaid interest and charges for loan 5, apply the refund to reduce any capital outstanding and pay any balance to Mr W;
- 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;
- Remove any negative information about loan 3 from Mr W's credit file.
- The number of loans taken by loan 4 means any information recorded about them is adverse. So all entries about loans 4 and 5 should be removed from Mr W's credit file once loan 5 has been repaid;
- Request the third party to remove any information it may have recorded about loan 5 once it has been repaid.

*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr W 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 W to accept or reject my decision before 3 January 2020.

Amanda Williams
ombudsman