

## **Complaint**

Mr S says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to him.

## **Background**

I sent my provisional decision on 13 August 2019. A copy of my provisional decision is attached and forms part of this final decision.

My provisional decision sets out the background of this complaint. It explains why I thought Satsuma should not have lent some of these loans, and how it should put that right. I said I'd consider anything else anyone wanted to send me – so long as I received it by 13 September 2019.

Mr S said he was happy with the outcome and wanted to press forward. Satsuma confirmed it had received the provisional decision, but didn't add anything further.

## **My findings**

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

Neither side have sent in any new evidence or arguments. So having reconsidered the case, I've come to the same conclusions as before.

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

- refund all interest and charges Mr S paid on loans 3 to 5 inclusive;
- 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<sup>†</sup>;
- remove any negative information about loan 3 from Mr S's credit file;
- Mr S's debt situation from loan 4 onwards means any information recorded about these loans is adverse. So all entries about loans 4 and 5 should be removed from Mr S's credit file.

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

## **My final decision**

For the reasons I've explained above and in my provisional decision, I partially uphold Mr S's complaint. I direct Provident Personal Credit Limited (trading as Satsuma) to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 October 2019.

Adam Charles  
**Ombudsman**

## COPY OF PROVISIONAL DECISION

### Complaint

Mr S says Provident Personal Credit Limited (trading as Satsuma) irresponsibly lent to him.

### Background

This complaint is about 5 high-cost short-term loans Satsuma provided to Mr S between June 2015 and April 2018. Mr S's lending history is as follows:

Loan	Date opened	Date closed	Amount borrowed	Contractual repayment (monthly)	Contractual term (months)
1	30/06/2015	02/10/2015	£250	£116.65	3
2	09/10/2015	06/08/2016	£300	£143.09	3
3	15/02/2017	28/05/2017	£200	£98.40	3
4	08/07/2017	12/04/2018	£500	£111.00	9
5	29/10/2017	09/02/2018	£100	£49.20	3

Our adjudicator didn't uphold Mr S's complaint. Mr S disagreed with our adjudicator's option and asked for an ombudsman to decide the case, so the complaint has been passed to me.

### My provisional 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 S 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 S 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 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 S's complaint.

Based on what I've seen so far, I don't think I have enough to say that loans 1 or 2 were irresponsibly lent. For example, these loans were relatively small compared to Mr S's stated income, and according to his stated outgoings it looked like he had more than enough disposable income to reliably meet the repayments. Mr S took out these loans very early on in his relationship with Satsuma and, from the information I have, he didn't have any history of insolvency or county court judgements which the lender should've known about. While Mr S made some payments late on loan 1, he'd explained to Satsuma that it was because of administrative issues around getting a replacement debit card. So at the point of lending loans 1 and 2, I don't think Satsuma had sufficient reason to look deeper into Mr S's circumstances or to be concerned that he was in difficulties.

However, over the course of loan 2 Mr S consistently missed payments or made them late. He set up repayment plans with Satsuma but repeatedly wasn't able to meet those plans. In the end it took around three times as long to clear the loan as it was originally supposed to take.

There was a gap of about six months between Mr S finishing loan 2 and taking out loan 3. But in that time he did apply for another loan and was declined, so Satsuma was aware he was still trying to get short-term credit. Indeed, their credit check for loan 3 revealed that Mr S had had other short-term loans in the recent months before. So I don't think it would've been reasonable for Satsuma to assume that Mr S's financial situation had fully moved on from whatever had caused him to need loans 1 and 2.

Given the severe problems that Mr S had in repaying loan 2, I think a proportionate check for loan 3 should've involved a more comprehensive look at his financial situation, such as verifying what Mr S had said about his income and expenditure. Had Satsuma done that, it would've seen that Mr S had been living in his overdraft, frequently going over the £4,000 limit, and that his expenditure was much higher than he stated, with a large proportion of it being for what appears to be gambling. Further, Mr S's credit history would've revealed that over the years he'd taken out a large number of payday loans and often fallen into arrears.

So I don't think Satsuma used proportionate checks in assessing loan 3. If it had done, I think it would've found that Mr S was unlikely to be able to sustainably meet its repayments. And so I think loan 3 was irresponsibly lent.

I've also looked at the overall pattern of Satsuma's lending history with Mr S, 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 S's case, I think that this point was reached by loan 4. I say this because:

- By the time Mr S asked for loan 4 he'd been borrowing from Satsuma for a lengthy period and he wasn't making any real inroads to the amount he owed Satsuma. Loan 4 was taken out two years after Mr S's first. And it was for a much larger amount, with a higher monthly repayment over a longer term. By then, Mr S had paid large amounts of interest to Satsuma to effectively service a debt to it over an extended period.
- Loan 4 was taken out just six weeks after loan 3 ended, and loan 5 was taken out while Mr S was still in the middle of paying off loan 4. And by that point Mr S had a long history of taking out payday loans across multiple lenders. So Satsuma ought to have realised it was more likely than not Mr S was having to borrow further to cover the hole repaying his previous loan was leaving in his finances, and that Mr S's indebtedness was continuing unsustainably.

I think that Mr S lost out because Satsuma continued to provide borrowing from loan 4 onwards because:

- these loans had the effect of unfairly prolonging Mr S's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time.
- the length of time Mr S had been borrowing from Satsuma was likely to have had negative implications on Mr S's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm also upholding the complaint about loans 4 and 5, and Satsuma should put things right.

#### **Putting things right – what I think Satsuma should do**

- refund all interest and charges Mr S paid on loans 3 to 5 inclusive;
- 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<sup>†</sup>;
- remove any negative information about loan 3 from Mr S's credit file;
- Mr S's debt situation from loan 4 onwards means any information recorded about these loans is adverse. So all entries about loans 4 and 5 should be removed from Mr S's credit file.

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

#### **My provisional decision**

For the reasons I've explained, I plan to partially uphold Mr S's complaint, and to direct Provident Personal Credit Limited (trading as Satsuma) to put things right in the way I set out above.

Please could Satsuma and Mr S send me any more information or comments to look at by 13 September 2019. After that, I'll reconsider the case.

Adam Charles  
**Ombudsman**