

complaint

Mr T complains that Provident Personal Credit Limited (trading as Satsuma Loans) was irresponsible in its lending to him.

background

Based on the information provided, Satsuma Loans provided Mr T with seven instalment loans between January and November 2017.

Loan	Date	Term	Amount
1	5 Jan 2017	12 months	£600
2	9 Feb 2017	4 months	£150
3	13 Mar 2017	12 months	£300
4	4 Apr 2017	12 months	£800
5	23 Sep 2017	1 month	£200
6	3 Oct 2017	7 months	£350
7	23 Nov 2017	12 months	£750

Mr T says that the time of the loans he was in a spiral of debt taking out new loans to repay existing debt. He says that had proper checks been carried out the loans wouldn't have been provided.

Satsuma Loans says that before the loans were provided it carried out a number of checks to ensure the loans were affordable. It says that based on these checks the lending was responsible.

Our adjudicator didn't think she had seen enough to say that loans one to five shouldn't have been provided. But she thought that by loan six, Mr T's pattern of borrowing suggested he had become persistently reliant on short-term loans.

Satsuma Loans didn't accept our adjudicator's view. Mr T responded to the view saying that he thought all of the loans were irresponsible. He said he repaid loans early because he was borrowing from other lenders to do this.

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 Loans 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 that Mr T 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 Loans should fairly and reasonably have done more to establish that any lending was sustainable for a 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 Loans was required to establish whether Mr T 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 T's complaint.

Our adjudicator didn't think she had enough to say that loans one to five shouldn't have been provided. I have looked through the information and while I think that further checks could have been carried out before loans four and five, I agree with our adjudicator that there isn't enough evidence to say that loans one to five shouldn't have been lent.

By the time loan six was provided to Mr T, I think his pattern of borrowing suggested he had become reliant on short term lending. I say this because he had taken out six loans in around nine months and while he had repaid loans early, he was taking out new loans shortly after repaying previous loans. I think this suggests he needed to borrow to meet his repayments and ongoing costs. Therefore I uphold this complaint in regard to loans six and seven.

Mr T has said that he has repaid loan six but still has a balance outstanding on loan seven.

my final decision

My final decision is that I uphold this complaint in regard to loans six and seven. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- A. Add together the total of the repayments made by Mr T towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything that has already refunded.
- B. Calculate 8% simple interest* on the individual payments made by Mr T which were considered as part of "A", calculated from the date Mr T originally made the payments, to the
- C. Remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr T as though they had been repayments of the principal. If this results in Mr T having made overpayments then these should be refunded along with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- D. If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mr T. However if there is still an outstanding balance then Provident Personal Credit Limited should try to agree an affordable repayment plan with Mr T.
- E. The overall pattern of Mr T's borrowing for loans six and seven means any information recorded about them is adverse, so all entries about loan six and loan seven when the principal that was borrowed has been repaid, should be removed from Mr T's credit file.

*HM Revenue & Customs requires Provident Personal Credit Limited (trading as Satsuma Loans) to deduct tax from this interest. It should give Mr T a certificate showing how much tax it has deducted, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 December 2019.

Jane Archer
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