

## **complaint**

Miss W complains that Provident Personal Credit Limited (trading as Satsuma) lent to her in an irresponsible manner.

## **background**

The background to this complaint was set out in the provisional decision I issued in October 2019. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to uphold part of the complaint. I invited both parties to let me have any further comments and evidence. Miss W has said she accepts my provisional decision. Satsuma hasn't provided us with anything further.

## **my findings**

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Given that neither party has provided me with any new evidence or arguments I see no reason to alter the conclusions I reached in my provisional decision.

So I don't think Satsuma should have agreed to give Miss W loans 8 or 9. Satsuma needs to pay Miss W some compensation in addition to the rebate it has offered on loan 1.

## **putting things right**

If it hasn't already done so, Satsuma should pay Miss W the rebate of £50.40 it has offered her in relation to loan 1.

I don't think Satsuma should have agreed to lend to Miss W on 13 April 2018 (loan 8) or 12 August 2018 (loan 9). So for each of those loans Satsuma should;

- Refund any interest and charges paid by Miss W on the loans.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*.
- The number of loans taken from loan 8 onwards means any information recorded about them is adverse. So all entries about loan 9, and loan 8 once it has been fully repaid, should be removed from Miss W's credit file.

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

If Miss W still owes Satsuma any of the principal balance she borrowed on loan 8, Satsuma may deduct this from the compensation that is due to her. But, to be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Miss W has made on that loan as though they were applied against the principal sum borrowed.

**my final decision**

My final decision is that I partly uphold Miss W's complaint and direct Provident Personal Credit Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 19 January 2020.

Paul Reilly  
**ombudsman**

**EXTRACT FROM PROVISIONAL DECISION****complaint**

Miss W complains that Provident Personal Credit Limited (trading as Satsuma) lent to her in an irresponsible manner.

**background**

Miss W was given nine loans by Satsuma between January 2016 and August 2018. Each of the loans was due to be repaid in weekly or monthly instalments. Miss W successfully repaid the first seven loans, but a balance remained outstanding on her last two loans when she made her complaint to Satsuma. Loan 9 has subsequently been repaid. A summary of Miss W's borrowing from Satsuma is as follows;

<b>Loan Number</b>	<b>Borrowing Date</b>	<b>Repayment Date</b>	<b>Loan Amount</b>	<b>Agreed Term</b>
1	21/01/2016	Repaid	£ 100.00	13 Weeks
2	09/07/2016	28/11/2016	£ 150.00	13 Weeks
3	09/08/2017	26/08/2017	£ 100.00	3 Months
4	22/09/2017	28/09/2017	£ 100.00	3 Months
5	09/10/2017	26/10/2017	£ 130.00	3 Months
6	15/11/2017	27/11/2017	£ 100.00	3 Months
7	30/11/2017	26/03/2018	£ 800.00	3 Months
8	13/04/2018	Outstanding	£ 2,000.00	4 Months
9	12/08/2018	26/04/2019	£ 100.00	3 Months

When Miss W first complained to Satsuma it offered her a rebate on her first loan. So that means Satsuma has only provided us with limited information about the loan. But looking at the amount of rebate that Satsuma has offered I don't think I need to consider this loan any further. The amount of rebate is broadly equal to what I'd have asked Satsuma to pay to Miss W if I agreed that loan shouldn't have been given.

Miss W's complaint about the remaining loans has been assessed by one of our adjudicators. He didn't think Satsuma had been wrong to give the loans 2 to 6 to Miss W. But he thought the rest of the loans shouldn't have been agreed. So he asked Satsuma to pay Miss W some compensation.

Satsuma didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

**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 that Miss 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 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 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 was required to establish whether Miss W could sustainably repay her 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 FCA's 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 Miss W's complaint.

Satsuma did a number of checks before it lent to Miss W. It asked her for details of her income and her normal expenditure. It gathered data from credit reference agencies about other credit repayments that Miss W would need to make over the coming months. And it then used this information to calculate how much disposable income Miss W had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Miss W's financial situation at that time.

The credit checks that Satsuma did failed to show any information that might have suggested Miss W was having problems managing her money. The checks didn't show any other concerning information such as a reliance on other short term loans, or a significant number of delinquent or defaulted accounts.

There was a gap of just over eight months between loan 2 being repaid and Miss W borrowing again. I think that gap was long enough to give Satsuma confidence that Miss W wasn't reliant on its lending at that time. So I think Satsuma was entitled to treat Miss W as if she were a new customer at the time of loan 3 and base its checks accordingly.

The repayments that Miss W had agreed to make on loans 2 to 6 were relatively modest compared to the income that she'd declared to Satsuma. And, even after allowing for the additional expenditure that Satsuma added to what Miss W declared, the repayments appeared to be easily affordable. So given these repayment amounts, what was apparent about Miss W's circumstances at the time, and her borrowing history with the lender, I don't think it would've been proportionate for Satsuma to ask her for the amount of information that would be needed to show the lending was unsustainable before agreeing loans 2 to 6.

I do think, by the time Miss W asked for loan 7, that Satsuma should have decided that it couldn't safely rely on the information she was providing about her finances. This was her fifth loan request in just over three months. And the amount she'd asked to borrow had increased significantly. On balance I don't think the concerns these things should have caused would have been enough for Satsuma to decide not to lend to Miss W. But I do think Satsuma should have taken steps at that time to independently verify her true financial position. We asked Miss W for copies of her bank statements from that time so we could see what better checks would have shown Satsuma. She said she was unable to provide these to us. So I'm not able to say that better checks would have shown Satsuma that it shouldn't have given loan 7 to Miss W.

But looking at the overall pattern of Satsuma's lending history with Miss W I think by loan 8 the lender should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Satsuma should have realised that it shouldn't provide any further loans.

I say this because:

- This was now Miss W's sixth loan request in a period of just over eight months. Miss W asked for this loan within a couple of weeks of repaying loan 7. And the amount she was borrowing had significantly increased again. The repayment she needed to make took a significant proportion of the income she'd declared to Satsuma.
- By the time Miss W asked for loan 8 she'd been borrowing from Satsuma for a lengthy period and she wasn't making any inroads to the amount she owed the lender. Loan 8 was by far the largest loan she'd taken to date.
- Miss W took further borrowing on loan 9 whilst she was still repaying loan 8. So Satsuma ought to have realised it was more likely than not Miss W was having to borrow further to cover the hole repaying her previous loan was leaving in her finances and that Miss W's indebtedness was increasing unsustainably.

I think that Miss W lost out because Satsuma gave her loans 8 and 9 because:

- these loans had the effect of unfairly prolonging Miss W's indebtedness by allowing her to take expensive credit intended for short-term use over an extended period of time.
- the number of loans Miss W had taken in a short period of time was likely to have had negative implications on her ability to access mainstream credit and so kept her in the market for these high-cost loans.

So I don't currently think Satsuma should have agreed to give Miss W loans 8 or 9. Satsuma needs to pay Miss W some compensation.