

complaint

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

background

This complaint is about 6 instalment loans Satsuma provided to Mr F between December 2016 and October 2018. Details of the 6 loans are as follows:

Loan	Date taken	Amount	Instalments	Date repaid
1	02/12/2016	350	12	17/11/2017
2	12/03/2017	1000	12	16/03/2017
3	05/10/2017	1000	12	14/02/2018
4	16/01/2018	300	12	14/02/2018
5	05/04/2018	2000	12	20/09/2018
6	05/10/2018	1000	12	16/11/2018

Our adjudicator upheld Mr F's complaint in part and thought loans 5 and 6 shouldn't have been given. Satsuma didn't respond. So as the parties still do not agree, the complaint has been passed to me, an ombudsman, to make a decision.

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 F 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 F 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 F's complaint.

Mr F applied for his first and second loan with Satsuma between December 2016 and March 2017. Satsuma carried out credit checks and asked Mr F for information about his income and expenditure. The repayment amounts for these two loans seemed affordable based on what Mr F had declared. So because it was so early on in the lending relationship, I don't think it would've been proportionate for Satsuma to ask him for the amount of information that would be needed to show the lending was unsustainable before agreeing the first two loans.

There was a gap of around 6 months before Mr F asked Satsuma for another loan. When Mr F did approach Satsuma again in October 2017, it did a number of checks. It asked him for details of his income and his normal expenditure. It gathered data from credit reference agencies about other credit repayments that Mr F would need to make over the coming months. And it then used this information to calculate how much disposable income Mr F had left over each month. Satsuma also used the credit reference agency checks to gather some more information about Mr F's financial situation at the time he asked for loans 3 and 4. So again I agree with the adjudicator, and for the same reasons, that there was nothing to indicate Satsuma needed to do more when it approved loans 3 and 4.

By loan 5 the amount Mr F had asked for though had doubled from his earlier loans. And as well as increasing the amount he was borrowing significantly, this was also the third loan taken out by him in 6 months.

So I think Satsuma could've realised at this point that Mr F may have some longer term financial problems rather than just using the loans to help with a temporary cash flow problem. Satsuma should've at this stage become concerned about whether it knew enough about Mr F's true financial situation.

I think that it would've been proportionate to fully review Mr F's financial situation before approving loan five. And I think that Satsuma needed to verify the information it found out where possible. This is to make sure Mr F was in position to make the repayments sustainably. I don't think Satsuma did this. So I need to think about what it would've seen if it had carried out proportionate checks.

Mr F has provided some information about his financial circumstances which includes some bank statements and a recent credit report. I accept that this isn't exactly what Satsuma would've seen at the time. But I think it would've found out similar information if it had made proportionate checks, so I think it's reasonable to rely on it.

This shows that Mr F was having problems managing his money. Satsuma would've found out that Mr F was paying a significant amount to other creditors. And he'd also been repaying a significant amount to short term lenders at the time he applied for loan five.

I think that Satsuma would've found out this information if it had made proportionate checks. And I think it would've seen Mr F wouldn't have been able repay loan five in a sustainable way. So I think that Satsuma shouldn't have given loans to Mr F at this point and for any loans after this point too. So I don't think Satsuma should have given Mr F loans 5 and 6 and I think he lost out as a result of this. So I'm upholding Mr F's complaint.

So I'm upholding the complaint about loans 5 and 6 and Satsuma needs to now put things right.

putting things right – what Satsuma needs to do

- refund all interest and charges Mr F paid on loans 5 and 6;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- remove any negative information about loans 5 and 6 from Mr F's credit file

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

my final decision

For the reasons given above, I'm partially upholding Mr F's complaint. Provident Personal Credit Limited (trading as Satsuma) should pay Mr F compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 January 2020.

Mark Richardson
ombudsman