

complaint

Mr H complains that Provident Personal Credit Limited, trading as Satsuma, lent to him in an irresponsible manner.

background

Mr H took out four instalment loans with Satsuma between January 2018 and December 2018. The loans were repayable in nine, ten or 12, monthly instalments. Mr H repaid loans one and three but hasn't repaid loans two and four. A summary of Mr H's borrowing from Satsuma is as follows:

	date	£ amount borrowed	date repaid
1	1 January 2018	700	21 August 2008
2	10 September 2018	200	
3	20 October 2008	100	18 December 2018
4	19 December 2018	£1,700	

Mr H says that he took out consecutive loans from lenders to repay previous loans. He says that he was struggling to pay for essential living costs. Mr H wants a refund of interest and charges, plus interest, adverse information removed from his credit file and the outstanding balances written off.

One of our adjudicators assessed Mr H's complaint. She thought that Satsuma shouldn't have given Mr H loan four.

Satsuma agreed with the adjudicator's view but we didn't hear from Mr H. As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

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 H 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.

Satsuma was required to establish whether Mr H 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 H's complaint.

I don't think that Satsuma was wrong to give Mr H loans one to three. When he applied for those loans, he told Satsuma that his income was £1,300 and his outgoings were £400/£450. So I don't think it was unreasonable for Satsuma to conclude that Mr H could afford to repay those loans.

I've noted that when Satsuma gave Mr H loan three, he hadn't repaid loan two. But his repayments for loan two were up to date when he asked for loan three. Also, based on what Mr H told Satsuma about his finances, it appeared that he could afford the cumulative repayments for loans two and three.

Given the repayment amounts, what was apparent about Mr H's circumstances at the time and his history with the lender at that point, I don't think it would've been proportionate for Satsuma to ask Mr H for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr H provided or the information Satsuma should've been aware of, which meant it would've been proportionate for it to start verifying what Mr H said.

Satsuma has agreed with the adjudicator that it shouldn't have given Mr H loan four. So, I don't need to look at that loan in detail here.

One of the things Mr H wants is for Satsuma to write off the outstanding balances. I don't think that would be fair here. That's because I haven't upheld loan two, which is one of the outstanding loans. In relation to loan four, Mr H has had the use and benefit of the capital sum he borrowed, so it wouldn't be right to direct Satsuma to write off the capital. It should refund interest and charges, with interest, and remove adverse information about loan four from Mr H's credit file when that loan has been repaid. It's fair for Satsuma to use the compensation to reduce or repay the outstanding balances Mr H owes.

putting things right – what Satsuma needs to do

- refund all interest and charges Mr H paid on loan four and write off any outstanding interest and charges on that loan;
- 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†;
- deduct from the refund above any capital sum still due in relation to loans two and four. If there remains an outstanding balance owed to Satsuma, it should agree an affordable repayment plan with Mr H;
- Once Mr H has repaid the capital owed in relation to loan four, Satsuma should remove any adverse information about that loan recorded on Mr H's credit file.

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

my final decision

For the reasons I've set out above, I'm upholding Mr H's complaint in part. I now require Provident Personal Credit Limited, trading as Satsuma, to take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 March 2020.

Louise Povey
ombudsman