

**complaint**

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

**background**

This complaint is about seven instalment loans Satsuma provided to Mr H between January and August 2017. Mr H's borrowing history is as follows:

<b>Loan number</b>	<b>Principal (£)</b>	<b>Start</b>	<b>End</b>	<b>Total Repayment (£)</b>
1	100	02.01.17	25.01.17	189.60
2	1000	01.02.17	06.02.17	1,992
3	200	09.02.17	03.03.17	398.40
4	1000	03.03.17	07.04.17	1,992
5	550	09.04.17	25.04.17	1,095.60
6	1500	21.08.17	arrears	2,988
7	1000	21.08.17	arrears	1,992

Our adjudicator upheld Mr H's complaint and thought loans five to seven shouldn't have been given. Satsuma disagreed and the complaint was passed to me.

I issued a provisional decision on this complaint on 28 October 2019. A copy is attached and forms part of this final decision.

Mr H and Satsuma both agreed with my provisional findings.

**my findings**

I've reconsidered 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.

In the absence of any further representations from the parties, and as they are both in agreement with my provisional findings, I see no reason to depart from the position set out in my provisional decision.

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

- refund all interest and charges Mr H paid on loans two to five;
- 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†;
- remove any negative information about loans two to five from Mr H's credit file;
- the pattern of borrowing from loan six onwards means any information recorded about loans six and seven is adverse. So all entries about loans six and seven should be removed from Mr H's credit file.
- I understand there were outstanding balances on loans six and seven when Mr H brought his complaint to this Service. I don't know if these loans remain outstanding or if Mr H has since repaid them or they've been written off.

If there are amounts remaining, Satsuma should remove any interest and charges that make up the balances, and treat the payments Mr H made as payments towards the capital amounts.

If Mr H has made further payments, Satsuma should refund any payments above the original capital amounts to Mr H, along with 8% per annum simple interest†.

But if Satsuma does not own the outstanding balance then it must liaise with the current debt owner to ensure Mr H does not make any further payments for these loans.

† 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**

My decision is that I partially uphold Mr H's complaint. I direct Provident Personal Credit Limited (trading as Satsuma Loans) to pay Mr H compensation as 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 18 January 2020.

Caroline Stirling  
**ombudsman**

## Copy of Provisional Decision

### complaint

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### background

This complaint is about seven instalment loans Satsuma provided to Mr H between January and August 2017. Mr H's borrowing history is as follows:

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Our adjudicator upheld Mr H's complaint and thought loans five to seven shouldn't have been given. Satsuma disagreed and the complaint was 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 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 consumer'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 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 relevant regulations define 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.

The adjudicator concluded that it wasn't unreasonable for Satsuma to arrange loans one to four for Mr H. I agree that it wasn't unreasonable for Satsuma to provide loan one.

This loan was arranged during the early part of the lending relationship, and from what I've seen there was nothing to suggest to Satsuma that it wasn't appropriate to arrange that loan.

But I'm mindful that when Mr H arranged loan one, it was taken with the intention that it would be paid off over six months. In fact, Mr H repaid loan one much sooner than provided for in the loan agreement.

Loan two was for significantly more than loan one, and Mr H intended to repay it over twelve months. In fact, Mr H withdrew from loan two a few days after taking it out.

Loan three was also to be repaid over twelve months, but Mr H paid it off much sooner than provided for in the loan agreement.

Given the intended repayment periods for loans two and three, and the significant increase in the amount borrowed for loan two, I think it would've been reasonable for Satsuma to carry out more detailed checks of Mr H's finances.

I understand Satsuma asked Mr H about his income and checked his credit file. It says it took account of information on the credit file and also built in some 'safeguards' in calculating Mr H's disposable income.

But I think it would've been reasonable for Satsuma to verify what Mr H had told it about his income and outgoings. Had it done so, I think Satsuma would've discovered Mr H was borrowing from six other short-term lenders, as well as managing a long-term loan, a credit card and several catalogue debts. Satsuma would've also become aware of the extent of Mr H's gambling spend. And with that knowledge, I think it would've been reasonable for Satsuma to conclude that loans two and three were unlikely to be sustainable for Mr H.

So I don't think Satsuma would've agreed loans two or three.

Loan four was taken out on the same day Mr H repaid loan three – which he repaid early. It was for a significantly higher amount than loan three, and was intended to be repaid over twelve months.

Mr H repaid loan four early, and took out loan five a couple of days later. This loan was to be repaid over twelve months.

Given Mr H's borrowing history when he took out loans four and five, I think it would've been reasonable for Satsuma to have carried out the detailed checks of his finances that I've mentioned above. And had it done so, I don't think Satsuma would've agreed loans four and five. That's because by that point Mr H was spending on average around £3,000 a month on gambling and around £4,000 on short-term loan repayments.

I've also looked at the overall pattern of Satsuma's lending history with Mr H, with a view to seeing if there was a point at which it 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 H's case, I think that this point was reached by loan six. I say this because:

- At this point Satsuma ought to have realised Mr H was not managing to repay his loans sustainably. Mr H had taken out six loans in nearly eight months. So Satsuma ought to have realised it was more likely than not Mr H was having to borrow further to cover the hole repaying his previous loan was leaving in his finances and that Mr H's indebtedness was increasing unsustainably.
- Mr H's first loan was for £100 and loan six was for £1,500. At this point Satsuma ought to have known that Mr H was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.
- All Mr H's loans, apart from his first, were to be repaid over at 12 months but he repaid them early. This isn't how these loans were intended to be used and I think Satsuma should have been concerned about how stable Mr H's finances were by this point.
- Loans six and seven were arranged on the same day, and were for £2,500 in total.

I think that Mr H lost out because Satsuma arranged loans six and seven. I say this because the number of loans Mr H borrowed was likely to have had negative implications on his ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm upholding the complaint about loans two to five and also loans six and seven and Satsuma should put things right.

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

- refund all interest and charges Mr H paid on loans two to five;
- 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†;
- remove any negative information about loans two to five from Mr H's credit file;
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- I understand there were outstanding balances on loans six and seven when Mr H brought his complaint to this Service. I don't know if these loans remain outstanding or if Mr H has since repaid them or they've been written off.

If there are amounts remaining, Satsuma should remove any interest and charges that make up the balances, and treat the payments Mr H made as payments towards the capital amounts.

If Mr H has made further payments, Satsuma should refund any payments above the original capital amounts to Mr H, along with 8% per annum simple interest†.

But if Satsuma does not own the outstanding balance then it must liaise with the current debt owner to ensure Mr H does not make any further payments for these loans.

† 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 provisional decision**

For the reasons given above, my provisional decision is that I'm going to partially uphold Mr H's complaint. I intend to direct Provident Personal Credit Limited (trading as Satsuma Loans) to pay Mr H compensation as set out above.

Caroline Stirling  
**ombudsman**