

complaint

Mr A complains that Provident Personal Credit Limited (trading as Satsuma) lent to him in an irresponsible manner.

background

The background to this complaint was set out in the provisional decision I issued in September 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 some of the complaint. I invited both parties to let me have any further comments and evidence. I haven't received any further information from either Mr A or Satsuma.

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 I've not received anything further from either party in relation to this complaint I see no reason to alter the conclusions I reached in my provisional decision.

So I don't think that Satsuma should have agreed to give loans 4 or 5 to Mr A. Satsuma needs to pay him some compensation.

putting things right

I don't think Satsuma should have agreed to lend to Mr A after, and including, the loan that he took on 9 May 2017 (loan 4). So for both of those loans Satsuma should;

- Refund any interest and charges applied to 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*.
- Remove any adverse information recorded on Mr A's credit file in relation to the loans.

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

my final decision

My final decision is that I uphold part of Mr A'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 Mr A to accept or reject my decision before 14 November 2019.

Paul Reilly
ombudsman

EXTRACT FROM PROVISIONAL DECISION

complaint

Mr A complains that Provident Personal Credit Limited (trading as Satsuma) lent to him in an irresponsible manner.

background

Mr A was given five loans by Satsuma between September 2015 and September 2017. Each of the loans was repayable in instalments over a period of around three months. Although Mr A appears to have faced some problems repaying loan 3, all of his loans have been fully repaid and a summary of his borrowing from Satsuma is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	28/09/2015	06/11/2015	£ 100
2	24/06/2016	06/10/2016	£ 150
3	07/09/2016	06/05/2017	£ 300
4	09/05/2017	05/09/2017	£ 400
5	30/09/2017	05/01/2018	£ 150

Mr A’s complaint has been assessed by one of our adjudicators. He didn’t think Satsuma had been wrong to give the first four loans to Mr A. But he didn’t think the final loan should have been agreed. So he asked Satsuma to pay Mr A some compensation. Satsuma didn’t agree with that assessment so it has asked that the complaint be decided by an ombudsman.

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 Mr A 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 Mr A 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 A's complaint.

Before lending to Mr A, Satsuma asked him for details of his income and normal expenditure. And it then added a buffer to what Mr A had declared to take account of other expenditure it could see from its credit check and estimates of spending from other internal models. It used that information to estimate how much money Mr A had left over each month that he could use to repay his loan. It also gathered some other information about Mr A from his credit file in relation to his financial circumstances such as his relationships with other lenders and whether he was facing any debt management problems.

I have noted that Mr A asked for his third loan shortly before he'd finished repaying his second. That in itself might have caused some concerns to Satsuma. But overall the repayments that Mr A needed to make on his first three loans were relatively modest compared to the disposable income Satsuma had calculated. So given Mr A's repayment amounts, what was apparent about his circumstances at the time, and his history with the lender, 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.

And there wasn't anything in the information Mr A provided or the information Satsuma should've been aware of, which meant it would've been proportionate to start verifying what he was saying. So I don't think Satsuma was wrong to give these three loans to Mr A.

Mr A faced problems repaying his third loan. He had agreed to repay that loan over a period of around three months. But he needed to agree at least two repayment plans with Satsuma and actually took around eight months to repay the loan. And the credit check information that Satsuma received before agreeing the fourth loan showed a change in Mr A's finances. The credit checks before the earlier loans didn't show any late payments or other problems. The credit check Satsuma received before the fourth loan showed that Mr A was in arrears on some other borrowing. So that should have caused additional concern to Satsuma. And the loan that Mr A was now asking to take was much larger than any of the loans he'd taken before.

I haven't seen anything to make me think that Satsuma was aware of any material improvement in Mr A's finances. And the reasons he'd given for not being able to repay his third loan as agreed largely amounted to him saying that he had other debts and bills that he needed to pay. So I think Satsuma should have concluded that it was unlikely that Mr A would be able to meet larger repayments on a new loan in a sustainable manner. I don't think that Satsuma should have continued to lend to Mr A from this point onwards given the obvious pressure on his finances.

So I don't currently think that Satsuma should have agreed to give loans 4 or 5 to Mr A. Satsuma needs to pay him some compensation.