

complaint

Miss G says Provident Personal Credit Limited trading as Satsuma irresponsibly lent to her.

background

This complaint is about three payday loans Satsuma provided to Miss G between July 2015 and September 2016. Miss G's borrowing history is as follows:

loan number	start date	loan amount (£)	term	end date
1	20/07/2015	200	52 weeks	24/06/2016
2	19/04/2016	350	52 weeks	24/06/2016
3	29/09/2016	300	52 weeks	outstanding

Our adjudicator upheld Miss G's complaint about loan 3 but thought Satsuma didn't irresponsibly lend loans 1 and 2. Miss G disagreed and the complaint was passed to me.

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 Miss G 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.

Satsuma has provided information to show the checks it carried out, it says it searched Miss G's credit file, asked about her monthly income and expenses. Satsuma also said that it added buffers to Miss G's declared expenses and based on all its checks and safeguards, each loan was affordable for Miss G.

I've seen a copy of Miss G's credit file and there's no adverse information such as defaults or county court judgements recorded at the time Satsuma lent to her.

After the adjudicator's opinion, Satsuma agrees that it shouldn't have lent loan 3 and has made an offer to redress Miss G for that loan, offset the redress against her outstanding balance and write off the rest of the principal.

Miss G disagrees with the adjudication and has said it's a poor offer.

I've carefully considered all of the arguments, evidence and information provided and what this all means for Miss G's complaint.

Loan 1 was Miss G's first loan from Satsuma, and I can see she declared her income as £1,416.99 and her expenses as £90. Satsuma added a buffer of around £885.46, which meant that it treated Miss G as if she had around £441.53 in disposable income per month. Given that Miss G was due to repay £7.31 per week, the circumstances suggested she could have afforded this loan. And I don't think it was wrong for Satsuma to lend loan 1 to her.

By loan 2, I think Satsuma should've taken its checks further before lending this loan. I say this because Miss G was increasing her borrowing from loan 1, she hadn't repaid her previous loan and she was due to be repaying this loan for 52 weeks. I think these factors taken together should've prompted Satsuma to build a clear picture of Miss G's circumstances including verifying some of the information Miss G had provided.

Had Satsuma carried out proportionate checks before lending loan 2, its likely to have found that Miss G's actual income around the time of the loan was about £1,232. Miss G has provided her bank statements from the time and from what I can see, she was borrowing from other lenders and she had around £247 outstanding to another lender which I think Satsuma would likely have seen. Taking into account her living costs which were around £568 – it included things like housing food and regular credit commitments, I think this loan was affordable for Miss G. The highest repayment Miss G was due to make on this loan was around £89.70 which was the repayment for loans 1 and 2 combined (when the repayment for both loans overlapped). And Miss G would've had sufficient disposable income.

When looking at cases like this, I'm required to consider what Satsuma saw or was likely to see had it carried out proportionate checks. The information Miss G provided shows that around the time of loan 2, she took out short term loans with two other lenders which was around £850 but those loans don't appear in her bank statement until 18 April 2016 – a day before Satsuma lent her loan 2. In those circumstances, I think it was unlikely Satsuma would've seen the information about both those loans on her credit history or bank statements within such a short time. I think its likely Satsuma would only have been aware of those loans had Miss G told Satsuma about them. I can't see that Miss G did this and so even if Satsuma carried out proportionate checks, they are likely to have shown that she could afford loan 2 and Satsuma wasn't wrong to lend to her.

I can see from the available information that Miss G feels strongly that Satsuma's offer should be more and she had mentioned the level of customer service Satsuma provided. I'm sorry Miss G feels this way but I note that she made a separate complaint about Satsuma's customer service which has been dealt with under a different case reference and so I wouldn't be looking at those issues here.

But based on the set of circumstances here, I don't think Satsuma was wrong to lend Miss G loans 1 and 2 but it needs to put things right for lending her loan 3 when it shouldn't have.

The redress Satsuma has offered is in line with what this service recommends and gives Miss G a clean break as she'll no longer have an outstanding balance. Satsuma has confirmed that there will be no negative information about any of the loans on Miss G's credit file. I consider this to be fair in the circumstances and I wouldn't be asking Satsuma to do anymore.

putting things right – what Satsuma needs to do.

- Satsuma should honour its offer and refund all interest and charges Miss G paid on loan 3 and add 8% interest from the date the payments were made to the date of settlement*.
- Satsuma may offset the outstanding balance on this loan from the redress and as it has offered to write off any balance outstanding, Miss G would have no debt to repay to Satsuma.
- Satsuma should also remove any negative information about loan 3 from Miss G's credit file.

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

my final decision

For the reasons given above, I'm partially upholding Miss G's complaint. Provident Personal Credit Limited should pay Miss G compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 5 December 2019.

Tola Oduola
ombudsman