

complaint

Mr J complains that Provident Personal Credit Limited (trading as Satsuma Loans) mis-sold him a loan he couldn't afford.

background

In March 2014 Mr J was an unemployed student. But he told Satsuma that he was in full time employment and earning well over £1,000 a month, in order to get a loan of £300. He had to repay this loan in 13 weekly instalments of just over £32 each, for a total amount of £420. He made three repayments in March, April and May, and then stopped. He says that in December 2015 he wrote to Satsuma to complain that it had sold him a loan he could not afford. When Satsuma did not reply, he emailed it in March 2016.

Satsuma says it had not received his letter, but investigated his complaint based on what he had told it in the email. It rejected his complaint as the loan had seemed to be affordable based on his declared income and outgoings and his credit file. It had rejected his application for a second loan in September 2014, which showed it was a responsible lender. And it said that it had already written off the outstanding balance – £320 – and removed the loan from Mr J's credit file, because it had wrongly defaulted the account in 2014.

Our adjudicator did not uphold this complaint. She thought that Satsuma had not done anything wrong. It had been entitled to accept what Mr J had told it about his income. She had looked through Mr J's credit file, and she did not think it suggested that he was in financial difficulty such that Satsuma should not have lent to him. And even if she had decided that the loan had been mis-sold, she would not have told Satsuma to write off the whole balance. She also didn't think that Satsuma had given Mr J poor customer service.

Mr J asked for an ombudsman's decision. He pointed out that an ombudsman had upheld another complaint he had made about another loan from a third party. So I have looked into this complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Although Mr J's other complaint was upheld, that does not mean that this one must be. We consider each case on its own merits, and that can mean that some are upheld and some are not. I have considered what Satsuma did in this case, and I agree with our adjudicator that Satsuma did not do anything wrong.

Satsuma was entitled to rely on what Mr J told it about his income. Mr J has said that he only lied because he was desperate. I was sorry to read that, but Satsuma did not know about that. And the fact that Mr J thought it was necessary to lie about his income strongly suggests that he knew, or suspected, that he could not afford the loan. As far as Satsuma knew, he had a disposable income of over £800 a month. That meant it was reasonable for Satsuma to conclude that he could afford the loan.

I have seen Mr J's credit file. I can see that he had several accounts which defaulted in 2010 and 2011, but that was quite some time before he borrowed from Satsuma. There were two payday loans which were both settled before Satsuma lent to him. There was another loan

which went into arrears *after* Satsuma lent to him. There was a loan which went into arrears just before the start of Satsuma's loan, but that probably would not have been recorded on his credit file yet, because credit files are not updated instantly – it can take a few weeks. And there was a new payday loan taken out in February 2014 but, for the same reason, that was probably not on the credit file yet either. Satsuma can only be expected to take into account such information as was available to it when it dealt with Mr J's loan application. Mr J would have known about these matters, but chose to apply for the loan anyway. That's not Satsuma's fault.

(Incidentally, the other loan Mr J complained about was taken out in August 2015. By then, the matters which did not appear on his credit file in March 2014 would have been visible to the lender. And the default of Satsuma's loan in August 2014 would have been visible too. That complaint was upheld because the other lender did not give enough weight to the credit report. So I think that explains why the outcomes of the two complaints are different.)

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 1 July 2016.

Richard Wood
ombudsman