

complaint

Mr P complains that Provident Personal Credit Limited (trading as Satsuma) gave him loans that he couldn't afford to repay.

background

Mr P was given three loans by Satsuma between January and June 2016. Each of the loans was scheduled to be repaid in weekly instalments – the first two loans over 13 weeks and the final loan over 21 weeks. Mr P repaid his first two loans early, but a balance remains outstanding on the final loan. A summary of Mr P's borrowing from Satsuma is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	24/01/2016	12/03/2016	£ 100
2	15/04/2016	29/05/2016	£ 100
3	06/06/2016	-	£ 200

Mr P's complaint has been assessed by one of our adjudicators. She thought that the checks Satsuma had done before lending to Mr P had been sufficient. And since those checks suggested that the loans were affordable for Mr P she didn't think Satsuma had been wrong to lend them. So she didn't recommend that the complaint should be upheld.

Mr P didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Satsuma was required to lend responsibly. It needed to make checks to see whether Mr P could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr P was borrowing, and his lending history, but there was no set list of checks Satsuma had to do.

Satsuma has told us about the checks it did before lending to Mr P. Before each loan it asked him for details of his income and his normal expenditure. It says that it validated what Mr P said about his income with a credit reference agency. And it says that it used some industry standard data, and the results of its credit check, to ensure what Mr P declared for his expenditure was realistic. On each occasion it applied a higher level of expenditure than Mr P declared when assessing the affordability of the loan.

Generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. Here, although Satsuma says it used the credit check to make sure Mr P had reasonably declared his current credit expenditure, I don't know whether the checks

extended to a more detailed review of Mr P's credit history. I can see that Mr P had defaulted on a telecoms account around a year before he took his first loan. But even if Satsuma had seen that information, I don't think that default, given its nature and timing, would be enough for me to conclude that Satsuma should have done more checks.

For each of the loans the amount Mr P asked to borrow was relatively low compared to the income he declared to Satsuma. He was scheduled to repay the loans over an extended period, so the repayments he needed to make were much lower than if he'd taken a normal payday loan. And even allowing for the increased expenditure that Satsuma calculated those repayments appeared to be easily affordable.

I have considered that for the final loan, Satsuma's estimate of Mr P's disposable income was £154 per month. And the repayment he needed to make was approximately £71 per month. That didn't leave much for Mr P should he face an unexpected emergency. But I've also considered that Mr P told Satsuma that he had £570 per month left over. So I think when it applied its increases to Mr P's expenditure Satsuma was already taking account of the possibility that his expenditure would be higher than expected.

I appreciate that Mr P's finances were in poor shape, and that he was borrowing regularly from a number of other short term lenders. But that wasn't something he told Satsuma when he asked for the loans, nor do I think it is something Satsuma should have discovered from proportionate checks. I think it was reasonable here for Satsuma to rely on the information that Mr P provided about his finances when assessing the affordability of the loans. I don't think it would be proportionate to expect Satsuma to have gone further and sought to independently verify what Mr P had said. And as the information Mr P provided suggested that the loans were affordable for him I don't think that Satsuma did anything wrong when it agreed to lend.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 April 2019.

Paul Reilly
ombudsman