

complaint

Miss H has complained that two loans granted to her by Provident Personal Credit Limited trading as Satsuma Loans (“Satsuma”) were unaffordable for her.

background

Satsuma says it agreed two instalment loans for Miss H between December 2015 and June 2016. Miss H successfully repaid her first loan, but there is a balance outstanding on the second. Below is some of the information Satsuma provided about Miss H’s loans:

loan number	date borrowed	amount borrowed	term of loan	weekly repayment	date repaid
1	05/12/2015	£300.00	17 weeks	£27.62	08/04/2016
2	03/06/2016	£600.00	26 weeks	£44.19	N/A

One of our adjudicators reviewed Miss H’s complaint. He thought the affordability checks Satsuma carried out before approving each loan were proportionate in the circumstances. So he didn’t think it was wrong to provide the loans.

Miss H disagreed with our adjudicator’s findings. So because no agreement has been reached, the complaint has been 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. I’ve also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Satsuma was required to lend responsibly. The Financial Conduct Authority (FCA) was the regulator in place when Miss H took out her loans. Satsuma needed to make checks to see whether Miss H could afford to pay back each loan sustainably – before it lent to her.

The FCA’s regulations for lenders are set out in its Consumer Credit Sourcebook (CONC). These regulations – in CONC 5.3.1(2) – require lenders to take “*reasonable steps to assess the customer’s ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences*”. CONC 5.3.1(6) defines “sustainable” as being able to make repayments without undue difficulty. And it explains that this means borrowers should be able to make their repayments on time while meeting other reasonable commitments, out of their income and savings, and without having to borrow to meet these repayments.

There was no set list of checks that Satsuma was required to complete before lending. But it needed to complete affordability checks that were proportionate to the loans Miss H was requesting. Deciding what checks would be proportionate might include considerations about the amount borrowed, the associated cost and risk to Miss H, her borrowing history including any indications that she might be experiencing (or had experienced) financial difficulty, and so on.

Satsuma says it completed proportionate checks by asking Miss H for information about her income and regular expenses. In addition to this it says it ran a credit check to establish Miss H's other short term lending commitments. It says the results of the affordability checks it completed indicated that both loans were affordable. So it doesn't agree it was wrong to lend.

Miss H took out loan 1 in December 2015. She borrowed £300 over 17 weeks. This meant she needed to make weekly repayments of £27.62. At this stage Satsuma recorded Miss H's income as £1,500 per month and her expenditure as mortgage/rent £160, other loans £300 and other expenses £300. The credit report it ran also indicated that Miss H had around £173 outstanding in short term credit and that she hadn't taken out a new loan in over 60 months.

Miss H has pointed out that the credit report obtained by Satsuma doesn't give a full picture of her financial situation. She's provided a copy of her credit report herself which shows she had several other short term loans which don't appear on Satsuma's check.

Satsuma has explained that the search it completed only received information from one of the credit reference agencies. It's pointed out that not all lenders report their data to all three of the credit reference agencies, so the checks it completed may not show all of the same information that a report ran by Miss H might do. So while I appreciate that the credit check Satsuma completed didn't show all of Miss H's short term borrowing history, that doesn't mean I think the affordability checks Satsuma completed were insufficient. Or that it was wrong to rely on the information it saw on the credit report it ran.

This was Miss H's first loan from Satsuma, and I don't think the figures she provided about her income and expenditure would've seemed implausible. I also don't think the results of the credit report it ran should've led Satsuma to decline Miss H's application, or prompted it to carry out more detailed checks. So I think it was reasonable for Satsuma to rely on the information it had, including the figures Miss H provided about her income and expenditure, without needing to verify it.

Taking into account the amount Miss H was requesting and needed to repay each week, I think the checks Satsuma completed were proportionate. I don't think it needed to do anything more before it agreed to lend. And based on the checks it completed, the loans would've appeared affordable. So I don't think Satsuma was wrong to approve loan 1.

Miss H took out loan 2 in June 2016. She borrowed £600 over 26 weeks which meant she needed to make weekly repayments of £44.19. This was now Miss H's second loan, and she was requesting a larger loan over a longer period of time. But the amount she needed to repay each week was still relatively small when compared to her declared income. And I also think Satsuma could take into account the fact that Miss H repaid loan 1 on time.

At this stage Satsuma recorded Miss H's income as £1,487 and expenditure as £690. And the credit report it ran didn't show any new short term loan accounts, or changes from the results of the first check. So again, I don't think Satsuma should've been prompted to decline Miss H's application, or complete more detailed affordability checks than it did.

Taking everything into account, including the amount Miss H needed to repay each week, I think the affordability checks Satsuma completed for loan 2 were proportionate. And again, based on the information Miss H provided, the loan would've appeared affordable. So I don't think Satsuma was wrong to approve this loan either.

my final decision

For the reasons I've explained above I don't uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss H to accept or reject my decision before 1 March 2018.

Adam Golding
ombudsman