

## **complaint**

Mr M complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent money to him that he could not afford to repay.

## **background**

Mr M entered into three loans with Satsuma between September 2015 and March 2016. These were for £200, £400 and £600 respectively and were repayable over a number of weeks. Mr M says that the loans were unaffordable and that proper affordability checks were not carried out before the loans were provided. He says that the loans resulted in him being trapped in a spiral of debt.

Satsuma says that Mr M did not inform it of any financial difficulty until after the third loan had been issued and that the first two loans were repaid early. It says that it carried out an affordability assessment before each loan was provided which included gathering information on Mr M's income and expenses and carrying out a credit check. It says based on its checks there was no reason to suspect the loans were unaffordable.

Satsuma noted that Mr M's final loan is in arrears and said that Mr M should contact its repayments team to discuss a reduced repayment plan if the scheduled repayments were not affordable.

Our adjudicator did not uphold this complaint. He thought that the checks Satsuma carried out before providing the loans to Mr M were sufficient.

Mr M did not accept our adjudicator's view. He said that Satsuma should have asked about his other payday loans and reviewed his bank statements before lending to him.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr M took out three loans with Satsuma Loans. Before agreeing to lend to Mr M, Satsuma had to make sure that he could afford to repay each loan. Affordability checks should be proportionate. What is proportionate depends on things like - but is not limited to - the size of the loan, the repayments, what Satsuma knew about Mr M, and what he told it about his circumstances.

Before providing each of the loans, Satsuma gathered information about Mr M's income and expenses. Mr M is recorded as being in full time employment and earning £2,200 per month, increasing to £2,300. Mr M provided information about his normal living costs and his regular financial commitments. Having looked at this information I find it reasonable that Satsuma relied on this.

Based on the income and expenditure information provided Mr M had a monthly disposable income of £800 when loan one was applied for and this increased to just over £1,000 when loan three was applied for.

The loans Mr M took out were repayable over a number of weeks with his weekly payments for loan one being less than £15; loan two around £26; and loan three just over £30. Given

the loan repayments were for a relatively small amount compared to Mr M's income and his disposable income was sufficient to cover the repayments, I think the income and expenditure checks were sufficient. I do not think that Satsuma was required to ask further questions or review Mr M's bank statements at this stage.

Satsuma has also said that it carried out credit checks before the loans were provided. I have looked at the information it received from these and can see that in regard to defaults recorded in the past 12 months, there is a zero for each check. Considering this and the other information received, I do not find that the credit searches raised concerns that should have required Satsuma to carry out further checks.

Based on the information I have seen I think the checks carried out before the three loans were provided were sufficient and so I do not uphold this complaint.

I note that the first two loans were repaid early. However the final loan is in arrears. Mr M has contacted Satsuma about his financial situation and so I would expect him to be treated positively and sympathetically. Satsuma has suggested that Mr M contact its repayment team to discuss his payments.

#### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 December 2017.

Jane Archer  
**ombudsman**