

complaint

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

background

Mr J took out a total of four loans with Satsuma between November 2014 and January 2017.

Loan	Date of loan	Date repaid	Amount lent	Weekly payment	Monthly payment
1	02.11.14	06.02.15	£200	£21.54 (13 weeks)	-
2	28.04.15	10.08.15	£180	£19.38 (13 weeks)	-
3	14.11.15	20.02.16	£400	£18.51 (43 weeks)	-
4	12.01.17	-	£1,000	-	£166 (12 months)

Mr J repaid the first two loans when they were due. And he repaid the third loan early. But he wasn't able to keep up with his monthly payments on loan 4 after the first few months. When he brought his complaint, a balance of more than £900 remained outstanding. After Mr J complained, Satsuma refunded all interest that he'd paid on loan 2. And it applied the refund to reduce the balance outstanding on loan 4.

Mr J says he wasn't working when he took the fourth loan out, having finished his previous job a couple of weeks before. He says he'd taken out two loans with another short-term lender within the few days before he applied for loan 4, and he was heavily overdrawn. He believes that Satsuma shouldn't have given him the fourth loan if it had carried out correct checks.

Our adjudicator didn't recommend that the complaint should be upheld. He didn't include loan 2 in his investigation, as Satsuma had already agreed to refund the interest Mr J paid on it. He thought that the checks that Satsuma did went far enough for loans 1 and 4. And although he thought it should have asked more detailed questions about Mr J's expenditure before making loan 3, he didn't think the loan would have appeared unaffordable even if it had done so.

Mr J disagreed with the adjudicator's view, so 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.

Satsuma was required to lend responsibly. It needed to make checks to see whether Mr J 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 J was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Satsuma had to do.

Before lending, Satsuma asked Mr J for details of his monthly income and expenditure. And it carried out a credit check each time.

When he applied for the first loan, Mr J told Satsuma that his monthly income was £866. He said he was living with his parents, and his monthly outgoings were £300. Satsuma was entitled to rely on the information Mr J provided, in the absence of anything to suggest that it was likely to be inaccurate. On the basis of the information Mr J gave it, he'd have £566 per month left over after meeting his regular outgoings. And the credit check didn't show anything which I think ought to have prompted Satsuma to carry out further affordability checks.

Taking everything into account, I think it was reasonable of Satsuma to conclude that Mr J would be able to afford the weekly instalments without carrying out more detailed checks.

Satsuma has refunded all interest that Mr J paid on loan 2, and added interest at 8% to the refund. That's in line with what I would have required if I'd upheld Mr J's complaint about loan 2. So I can't require Satsuma to do more regarding that loan.

Loan 3 was for twice as much as Mr J's highest previous loan from Satsuma. But the repayments were to be spread over 43 weeks. This meant that the weekly repayment was slightly lower than it had been on the previous two loans. Just over three months had passed since Mr J had repaid loan 2. He told Satsuma that his monthly income had increased to just over £1,080. And his monthly expenditure had dropped back to £250.

I'm satisfied that the checks that Satsuma carried out before making loan 3 went far enough. The information Satsuma asked Mr J for included monthly loan repayments. And even if it had asked Mr J for more details of his regular financial commitments - as the adjudicator considered that it should have done - I agree that it's likely that the loan would have appeared to be affordable to him. What's more, the credit check that Satsuma carried out didn't show anything which I think ought to have caused it concern that Mr J might be over-committed. So I don't think Satsuma was irresponsible to make loan 3.

The monthly payments on loan 4 were significantly more than the repayments had been on any of Mr J's previous loans from Satsuma. But he told it his income was £2,000 per month, with outgoings of just over £300. It's true that this was a significant increase in Mr J's declared income. But nearly 14 months had passed since he'd taken out his previous loan. And I'm not satisfied that the increase in Mr J's declared income ought to have put Satsuma on notice that the information was likely to be unreliable. Nor do I think that proportionate checks would have revealed that Mr J had, in fact, finished his job a few weeks before.

I accept that Mr J had loans outstanding with other short-term lenders when he applied for loan 4. But I'm satisfied that the credit check that Satsuma carried out didn't show them. And I don't find this surprising, given how recent the loans were. New loans can take a few weeks to show on a credit check. And I can't see that there was anything else on the credit check which ought to have prompted Satsuma to carry out more thorough affordability checks before agreeing to the loan.

I acknowledge that Mr J says he was having gambling difficulties at the time. And he points out that both this and the fact that he'd over-declared his income would have been apparent from his bank statements. But taking into account Mr J's borrowing history alongside the information he provided in his application, I wouldn't have expected Satsuma to ask to see his bank statements before lending. So even though I've thought carefully about the points that Mr J has made, I don't think Satsuma was wrong to make loan 4 without carrying out further checks.

It follows from what I've said that I think that loans 1, 3 and 4 would have appeared to be affordable to Mr J on the basis of the information that Satsuma had. And taking everything into account, I'm satisfied that it was reasonable of it to rely on that information.

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 19 February 2018.

Juliet Collins
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