

complaint

Mr M complains that Provident Personal Credit Limited (trading as Satsuma) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file.

background

Mr M took out three loans with Satsuma between December 2016 and August 2017. He says it was irresponsible to lend such large amounts without better checks, which he says would have shown the loans weren't affordable.

Our adjudicator didn't recommend that the complaint should be upheld. She said Satsuma made proportionate checks before offering the loans. It asked about Mr M's income and expenditure and checked what he'd told it. The information it received suggested the loans were affordable.

Mr M didn't agree. He said Satsuma should have made more checks before the third loan. He said he hadn't repaid the second loan and the amounts he asked to borrow were increasing. Mr M says he had loans from 10 other lenders and ongoing repayment plans and this is clear from his credit report.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr M took out three loans with Satsuma:

Loan number	Date of loan	Amount of loan	Instalments: Number and highest amount	Date repaid
1	11 December 2016	£100	3 x £49/month	1 April 2017
2	6 April 2017	£400	12 x £66.40/month	-
3	11 August 2017	£500	8 x £125*/month	-

*£191.40/month with the instalments for loan 2.

loans 1 and 2

When Mr M asked for loans 1 and 2 he told Satsuma his monthly income was £1,400 and his expenditure was £490. Satsuma says it verified Mr M's income electronically. It increased Mr M's expenditure to about £1,000, saying this reflected information from the credit bureau and its internal models. This left Mr M with monthly disposable income of about £360 (loan 1) and £400 (loan 2).

I think, given Mr M stated income, the amount of the loan repayments and that these were Mr M's first loans with Satsuma, its checks were proportionate. The information it received suggested the loans were affordable.

loan 3

When Mr M asked for loan 3 he told Satsuma his monthly income was £1,400. He said his expenditure was £490, including housing (£300), financial commitments (£40) and other (£150). Satsuma increased his monthly expenditure to £920, mostly due to it increasing his cost of financial commitments to £470. Mr M would have had about £480 left to meet the loan repayments.

Loan 2 was still outstanding when Mr M took out loan 3. He'd paid the instalments due up to then on time.

The results of Satsuma's credit check show Mr M had 17 short term loans: six less than shown on the credit check for loan 2. The length of time since he'd taken out a new short term loan had increased since loan 2. There are no defaults shown, although there is at least one account with late payments. The outstanding balance for all short term loans is shown as £211, less than the amount shown as outstanding when he took out loan 2.

Satsuma knew that Mr M had other short term loans and some late payments. But this doesn't mean it can't lend to him, provided it makes proportionate checks and is satisfied the repayments are affordable.

I think the checks Satsuma made were proportionate. It asked for information about Mr M's income and expenditure. It did a credit check and increased Mr M's costs, particularly his credit commitments, based on the results. The information Satsuma received suggested the monthly loan repayments for loans 2 and 3 were affordable.

I appreciate that Mr M's financial circumstances were more difficult. But I don't think Satsuma knew this when it offered the loans to him. I think it was entitled to rely on the information it had received from Mr M and its credit check.

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 M to accept or reject my decision before 19 March 2019.

Ruth Stevenson
ombudsman