

complaint

Miss E complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave her credit when she couldn't afford to repay it. She wants the interest repaid and the default from her credit file removed

background

Miss E tells us she took out a loan for £400 repayable over 52 weeks. She says she doesn't think Satsuma Loans should have lent her this money as she couldn't afford to repay it. She says her monthly expenses outweighed her income and her credit file showed several late payments and defaults. And she'd been borrowing in order to repay earlier loans.

Satsuma Loans explained it had carried out a credit check as well as obtaining information from Miss E about her monthly income and expenditure. The check had shown Miss E hadn't obtained a payday loan for over three years prior to this agreement. The balance (£150) wasn't excessive and appeared to be within Miss E's ability to afford without evident difficulty. Nor had she obtained any other payday loans to repay this balance. She'd also not defaulted on a payday loan in the previous twelve months. It said based on the information it had available it had conducted checks which were sufficient and proportionate.

Miss E didn't accept this outcome and complained to us

The adjudicator did not recommend this complaint should be upheld

He said that a financial business can make a commercial decision regarding to whom it lends. And provided it carried out sufficient affordability checks, we wouldn't normally say it shouldn't have agreed to the loan. And he found Miss E had declared disposable income of over £1,000 per month. As the loan agreement required Miss E to pay only just over £60 per month he didn't think the business would've considered this unaffordable.

He found Satsuma Loans had carried out checks - and couldn't see these showed anything of concern to a lender. He observed there'd been a County Court Judgment - but this had been satisfied over two years previously - so was unlikely to have affected the lending decision. And whilst there may have been a default on the credit file at the time - this in itself doesn't prevent a loan being made. Rather it indicates the need for further checks. And it was important to note that a business can reasonably rely on information supplied by a customer - if there wasn't anything else to suggest a loan was unaffordable. He felt Satsuma Loans had gone far enough in the checks it carried out and so he wouldn't be asking it to do anything.

Miss E wasn't happy with this outcome and wanted an ombudsman to make the final decision.

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 understand Miss E is concerned about her financial situation and I can see she's experienced some difficulties. I'm sorry about that - as it's a stressful situation for anyone to

have to deal with. And whilst I understand Miss E has raised other complaints - I'm only dealing with the matter concerning Satsuma Loans.

The adjudicator explained the system of checks we'd expect a lender to carry out and as far as I can see Satsuma Loans did that. And it's also the case that checks only have to be proportionate having regard to the circumstances of the loan. In this instance, a loan of £400 over 12 months requiring a monthly repayment of just over £60 - didn't obviously appear unaffordable. Particularly with a stated disposable income in excess of £1,000. I have to judge the decision to lend - taking into account the information available - at the time the loan was made. Based on this, it wouldn't be fair to say that Satsuma Loans hadn't carried out the level of checks required before it made the decision to lend.

So I'm in agreement with the adjudicator and for the same reasons that this complaint should not be upheld.

I know this will come as a disappointment to Miss E. But I would emphasise that I would expect any lender, or collection agent, to treat Miss E positively and sympathetically, now she's brought her financial difficulties to its attention. And I'm aware she's been supplied with details of agencies which can offer free advice and assistance in such circumstances.

my final decision

For the reasons given above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 27 November 2017.

Stephen D Ross
ombudsman