

complaint

Mrs H complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent her money without carrying out adequate checks to make sure she could afford to repay the loans.

Mrs H wants Satsuma to pay her compensation and amend her credit file.

background

Mrs H took out three instalment loans with Satsuma. The first in October 2016 was for £600. Satsuma expected Mrs H to repay the loan over 26 weeks at about £191 each month. Mrs H repaid loan one early at the end of October 2016.

Mrs H took out the second loan for £800 in May 2017. Mrs H was due to repay the second loan by three monthly instalments of £394. She repaid loan two by 10 August 2017.

Mrs H took out loan three for £1,200 in late September 2017. Satsuma expected her to repay the loan over nine months by instalments of £266.

The adjudicator didn't recommend that Mrs H's complaint be upheld. She thought that Satsuma carried out adequate checks before agreeing loans one and two. And based on the income and expenditure figures Mrs H gave Satsuma, it was reasonable to have agreed to lend.

The adjudicator thought that by loan three, Satsuma should've also asked Mrs H about her other short term loans. But even if Satsuma had done this, the adjudicator thought that loan three would've still appeared affordable for Mrs H.

Mrs H doesn't agree with the adjudicator's recommendation. Mrs H says that when she took out loan three, she had to apply for other loans on the same day so that she could afford the repayment. Mrs H says that she's partially settled loan three and wants Satsuma to remove the loans from her credit file

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 Mrs H could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs H was borrowing, the length of the agreement and her borrowing history. But there wasn't a set list of checks that Satsuma had to do.

Even if I find that Satsuma didn't carry out adequate checks, it won't necessarily mean that I must uphold Mrs H's complaint. I would need to be persuaded that with proportionate checks, Satsuma would've discovered that some or all of the loans weren't affordable for Mrs H.

loan one

Satsuma expected Mrs H to repay a relatively modest proportion of her declared income of £1,400 each month. From the information Mrs H gave about her income and expenses it looked as though she could afford the repayments on loan one. Satsuma also carried out checks to include any undeclared credit commitments as part of its affordability assessment.

I can't reasonably say that Satsuma was wrong to agree loan one based on what Mrs H told it about her circumstances and the expenditure buffer that it added to her declared expenses.

loan two

Mrs H applied for loan two six months after she'd repaid loan one. Although she asked to borrow more this time, Mrs H also declared a higher monthly income of £1,750.

I think that a reasonable check should've involved Satsuma asking Mrs H about her income, living expenses and regular financial commitments. As Satsuma has given us evidence that it asked for this information, I think it carried out proportionate checks.

loan three

I agree with the adjudicator that by this stage Satsuma should've been doing a bit more to make sure that Mrs H hadn't become reliant on short term lending. This was because Mrs H had some difficulties repaying loan two and she was asking to borrow more than the previous loan over a longer period of time.

I think it was reasonable to expect Satsuma to take account of any other outstanding payday or instalment loans that Mrs H had at the time, as well as her living expenses and regular credit commitments.

As I don't have any evidence to suggest that Satsuma asked Mrs H about her other short term lending commitments, I need to consider what it would've seen with better checks.

The adjudicator said that around the time that Mrs H applied for loan three, she was also due to pay another short term lender about £155. Mrs H had told us that she took out more loans on the same day. As this service is dealing with some of Mrs H's other complaints, I've had a look to at them to make sure that the figure the adjudicator used is accurate.

Although the first repayment on the other instalment loan that Mrs H took out shortly before loan three was £155, she was then due to make further monthly payments – the highest of which was £484. I think that it's fairer to use the highest figure as Mrs H was due to repay loan three over nine months.

I can also see that Mrs H had another outstanding instalment loan. She was due to make monthly payments of around £136 at the same time as repaying Satsuma.

Finally, Mrs H applied for another payday loan on the same day that she applied for loan three with Satsuma. It isn't however possible to be sure which of the two loans Mrs H took out first, so I can't reasonably say that Mrs H would've mentioned it had Satsuma asked at the time.

Satsuma's records show that Mrs H declared a monthly income of £2,450 with monthly expenses of £400 around the time of loan three. Satsuma increased Mrs H's expenses to over £510 to take account of any undeclared credit commitments it could see on her credit file. This left Mrs H with just under £1,940 of disposable income. So even if Satsuma had known about all of the other short term loans (including the one Mrs H took out on the same day), I can't say that loan three would've appeared unaffordable as a result.

I understand that Mrs H has since settled loan three and would like Satsuma to remove the loans from her credit file. As I don't find that Satsuma was wrong to lend, I can't reasonably require it to remove any of the loans from Mrs H's credit file or pay her compensation. I'm sorry that this is likely to come as a disappointment to Mrs H.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 19 April 2019.

Gemma Bowen
ombudsman