

complaint

Mr M complains that Provident Personal Credit Limited trading as Satsuma Loans gave him four instalment loans he couldn't afford to repay.

background

The first loan - taken on 23 March 2015, was for £150 and was repayable over 26 weekly instalments of £9.81 (approx. £40 per month). The loan was repaid early on 30 July 2015. The second loan – taken on 14 August 2015, was for £200 and repayable over 30 weekly instalments of £11.54 (approx. £50 per month). This loan was repaid 19 February 2016. The third loan - £200, was taken on 11 March 2016. This loan was due to be repaid on 4 November 2016. But Mr M withdrew from this loan within a few days. So the loan was cancelled and Mr M only had to repay the withdrawal interest incurred of £3.32. Mr M took the final loan on 3 April 2016. This was for £500 and was repayable over 29 weekly payments of £33.17 (approx. £140 per month). This loan has a balance outstanding.

Our adjudicator has looked into Mr M's complaint. He said he hadn't looked at loan three as this loan was withdrawn before Mr M was required to make any repayments. But he looked at loans one, two and four (which he considered to be the third loan in the chain of loans) and he thought that Satsuma had done enough to check if Mr M could afford these loans. And that the checks indicated that Mr M could afford to repay the loans. So he didn't think it was wrong for Satsuma to lend to Mr M on these occasions. And he didn't recommend that Satsuma was required to pay him compensation.

Mr M has disagreed with the adjudicator. He said the third loan should be considered as he incurred a small amount of interest and because it shows the sequential nature of his borrowing with Satsuma. And that the nature of his borrowing should've prompted Satsuma to do more checks. He also added that Satsuma had recorded late payments markers on his credit file in relation to the outstanding balance on loan four. But he says he hadn't been made aware that this would happen. Our adjudicator said that the effects of missed payments would've been on Satsuma's website when Mr M applied for the loans online. But if Mr M wanted to complain about this he needed to raise this issue with Satsuma in the first instance.

So the case has been passed to me to make a 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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Satsuma was required to lend responsibly. It needed to conduct checks to make sure that each loan it was giving to Mr M was affordable. Those checks needed to be proportionate to things like the amount Mr M was borrowing, how much he had to repay each month (including interest), his borrowing history with it and what it knew about him. But there was no set list of checks it had to do.

Satsuma says it asked Mr M about his income and expenditure (including mortgage/rent payments, other credit commitments including repayments for existing loans and expenditure on utilities, transport, communication, household goods, food and drinks, clothing, education, health, etc.). And that it did a credit check before lending to him on each occasion. And it's given us evidence of what Mr M told it and the results of the credit checks.

Satsuma's records show that Mr M said he was living at home with parents when he took the loans and that he provided the following information about his income and expenditure:

	INCOME (£)	TOTAL MONTHLY EXPENDITURE (£)
Loan 1	2,750	875
Loan 2	2,500	730
Loan 3	2,750	1,100
Loan 4	2,600	1,520

Looking at this information - and even taking into account the third loan (which was subsequently withdrawn and which our adjudicator didn't consider as part of his assessment), I don't think it was unreasonable for Satsuma to conclude that Mr M had sufficient disposable income to meet the repayments on all these loans. All four loans were repayable over at least six months and the repayments were small when compared to his declared monthly income and well within the amount of disposable income Mr M's declared outgoings indicated he had each month.

I can see that Mr M thinks Satsuma should've done more checks – particularly on the last loan. And he's referred to other complaints which have been upheld at this stage of a customer's borrowing history with a lender. I think it would be helpful to explain that a complaint about this type of lending wouldn't be automatically upheld simply because a customer has borrowed more than a set number of loans. As mentioned above, there are no set lists of checks that a lender has to do (at any stage of a customer's borrowing relationship with a lender). But a lender is required to do proportionate checks on each loan that is lent taking into account things like (but not limited to), the amount needed to be repaid each month, the customer's borrowing history with it, what it knew about the customer's circumstances at the time and credit file checks. And it needs to act appropriately to what those checks show.

Given the amounts Mr M was required to pay each month on all four loans, I think it was reasonable for Satsuma to have relied on the information Mr M provided when he took all of these four loans. I can see that Mr M missed a few payments on loans one and two. But Mr M made the payments within a few days of them being missed. So I don't think that this – in itself, would've been a reason for Satsuma to do any additional checks on any further borrowing Mr M requested from it. Particularly as the results of Satsuma's credit checks don't show any defaults, missed payments or anything else that I think would've concerned it at the time Mr M asked for these loans.

So, overall, I think the checks Satsuma did were enough for it to make a reasonable assessment of affordability. The amount Mr M had to pay back each month was quite small compared to his income and there was nothing to suggest the information he gave it was inaccurate. This information showed that Mr M had enough left over each month to make the loan repayments. So I don't think Satsuma was wrong to lend these loans to Mr M.

Mr M has also talked to us about how Satsuma has passed his outstanding loan onto a third party, and that it has recorded some information about this and the missed payments on loan four on his credit file. But I can't see that this is something Mr M has previously complained to Satsuma about so it wouldn't be right for me to reach any firm conclusions about it in this decision. But from the information I have seen so far, it doesn't seem that Satsuma has acted inappropriately in trying to recover this debt from Mr M or that it has recorded any inaccurate information about the status of his outstanding loan on his credit file.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 5 June 2017.

Sandra Greene
ombudsman