

complaint

Mrs P complains Provident Personal Credit Limited (trading as Satsuma Loans) lent her money she couldn't afford to repay.

background

Mrs P took four instalment loans with Satsuma:

Date of Loan	Settlement Date	Current status of loan	Loan amount	Repayment Amount p/wk
07/12/2015	1/4/2016	settled early	£300	£19.90
19/05/2016	1/7/2016	settled early	£500	£19.13
30/08/2016	3/10/2016	settled early	£700	£26.79
08/11/2016	Running	active	£1400	£53.58

She complained that Satsuma didn't carry out enough checks before agreeing to lend.

The adjudicator didn't recommend that Mrs P's complaint be upheld. He didn't think Satsuma did enough checks before agreeing the first and second loans. But as Mrs P couldn't give us any bank statements for this period, the adjudicator couldn't properly consider whether the loans were affordable or not.

The adjudicator thought Satsuma's checks for the third and fourth loans were adequate. And based on the income and expenditure figures Mrs P gave Satsuma, it was reasonable to have agreed the third and fourth loans.

Mrs P wasn't happy with the adjudicator's conclusions. She said we've not taken account of her credit file that showed she had a number of monthly commitments, late payments and defaults.

my first provisional findings

I issued a provisional decision on 16 May 2017. I was minded to uphold Mrs P's complaint in part. In summary, I considered that if Satsuma had carried out more proportionate affordability checks, it wouldn't have agreed the second and third loans.

Mrs P's bank statements from mid-May 2016 showed she paid out almost £1,500 on expenses including her mortgage, loans, insurance, mobile phone and digital television costs. She also appears to have made payments to various debt collection companies. This didn't include any travel, food, clothing or council tax payments that Mrs P would've had to make on her or her three dependants' behalf.

Although I didn't have a complete set of bank statements from the time Mrs P took out the third and fourth loans, I saw statements for early August 2016. Her account was overdrawn by more than £3,000 and she took out an unsecured loan at the end of August 2016.

If Satsuma had carried out the sort of checks that I considered were proportionate, I didn't think it would've agreed the second and third loans. Subject to any further evidence I received, I said I would require Satsuma to refund interest and charges on the second and third loans.

I told Mrs P that I didn't have enough evidence to recommend the same for the fourth loan. But that if Mrs P could give me bank statements for November 2016, I might reconsider.

further submissions

Satsuma responded with some detailed objections to my first provisional decision. Mrs P managed to find a partial bank statement from November 2016 and asked me to reconsider my findings on the fourth loan. So I issued a second provisional decision on 4 July 2017.

Satsuma's objections and my second provisional findings

Satsuma said it doesn't check bank statements as they aren't a reliable source of income and outgoings. For example, a customer might have more than one account.

I didn't say Satsuma should necessarily have looked at Mrs P's statements. This would have been one of a number of ways Satsuma could've carried out more proportionate checks to verify her income and expenditure. And as I'd had the benefit of considering Mrs P's bank statements, I referred to them in my first provisional decision.

I appreciated Satsuma used credit reports in more limited ways when assessing creditworthiness. But this didn't mean it wasn't an option for Satsuma to look at a full credit report before agreeing to lend.

Satsuma thought Mrs P was able to repay the fourth loan as she was making regular payments. So it said I couldn't put too much weight on what was happening in early August 2016 when considering loan applications at the end of August 2016 and in early November 2016.

I didn't agree with this. Mrs P's borrowing from Satsuma wasn't sustainable as she needed to borrow from other lenders to keep up with her repayments. The fact Mrs P made repayments didn't mean the lending from Satsuma was affordable to her.

Taking account of everything Satsuma said, I found it fair to uphold Mrs P's complaint in so far as it related to loans two and three.

loan four

Mrs P sent me a bank statement that covered a few days towards the end of November 2016. Her account was overdrawn again by almost £2,800. I had no reason to think her situation had improved from earlier in the year.

As I'd already said Mrs P didn't have enough disposable income to afford the repayments on her second and third loans, I provisionally considered it fair to uphold her complaint about the fourth loan.

I said I didn't need Mrs P or Satsuma to give me further information about the second and third loans – just the fourth.

further submissions

Mrs P accepts my second provisional decision but Satsuma doesn't. It says it doesn't check bank statements. And it doesn't check a customer's full credit report before lending.

Instead Satsuma carried out credit checks and if any information isn't properly verified it would then ask to see a payslip. Satsuma says it was entitled to rely on the information Mrs P gave as part her application for the fourth loan.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Although I accept what Satsuma says about the process it follows, I still don't consider the checks it carried out were proportionate. If it had looked at Mrs P's financial situation more closely, rather than relying on the information she gave, I don't think it would've agreed the loans two, three and four.

my final decision

My final decision is that I uphold this complaint in part. In full and final settlement, I require Provident Personal Credit Limited (trading as Satsuma) to do the following:

- Refund and/or waive any interest and charges on the second, third and fourth loans
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*
- Apply the refund to any outstanding capital and pay the remaining balance to Mrs P.
- Remove from Mrs P's credit file, any negative information about the second, third and fourth loans and any records of searches it's done since Mrs P complained

*HM Revenue & Customs require Satsuma to take off tax from this interest. Satsuma must give Mrs P a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 4 September 2017.

Gemma Bowen
ombudsman