

complaint

Mr B complains that Provident Personal Credit Limited, trading as Satsuma Loans, didn't check to see that he could afford to repay a loan it gave him in January 2015.

background

In January 2015, Mr B applied online for a loan of £270 from Satsuma. Mr B made three weekly payments then repaid the loan in full in February 2015.

Mr B says at the time he took out the loan with Satsuma, he was ill, in arrears with other borrowing, in a debt management plan and had two county court judgements against him. He says he couldn't afford to repay the loan.

Mr B says he was so worried about the interest that he repaid the loan even though that meant he didn't pay other essential bills and had to borrow further. He says Satsuma should've realised from the pattern of his borrowing that he wasn't coping with his debt. Mr B wants Satsuma to refund all the fees and interest on the loan, with interest.

The adjudicator thought Satsuma had dealt with Mr B's complaint fairly. He said when Mr B applied for the loan, Satsuma asked for his income and expenditure details, which showed he had sufficient disposable income to repay the loan. He looked at the checks Satsuma carried out and the information Mr B provided. The adjudicator didn't think Satsuma was irresponsible to lend to Mr B.

Mr B didn't agree with the adjudicator. He said that at the relevant time he had other loans with another lender that would have overlapped with the loan from Satsuma. He said Satsuma should've been able to see that he couldn't repay the loan without borrowing from elsewhere.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When lending money to Mr B, Satsuma was required to ensure he could repay the borrowing in a sustainable manner, without it adversely affecting his financial situation. A lender should obtain sufficient information to make an informed decision about the lending. It's for the lender to decide how it does this. The guidance and rules list a number of things each lender may wish to consider. Checks should be proportionate, based on the size of the loan.

Mr B borrowed £270 from Satsuma. Satsuma says before it agreed to lend to Mr B it assessed his creditworthiness and his ability to repay the loan. It looked at his income, outgoings and other credit commitments. It says it had no reason to conclude that the loan was unaffordable.

I've looked carefully at what Satsuma took into account in deciding whether Mr B could afford the loan. Mr B's monthly income was in the region of £1,400.00. His housing costs and other commitments were approximately £850.00. That left sufficient disposable income to repay the loan to Satsuma.

I've also looked at the credit check Satsuma did before deciding to lend to Mr B. Satsuma says that showed that it was six months since Mr B had applied for a payday loan, there was no balance outstanding on that type of lending and no defaults. It also showed Mr B had six other accounts with an outstanding balance and had applied for four payday loans in total but he may have applied for those at any time in the last six years.

I do appreciate that Mr B says he had loans that would've overlapped with the loan from Satsuma and county court judgements against him. The credit report he's provided recently doesn't show county court judgements but it does give much fuller and more recent information. That wasn't the information Satsuma had before it reached its decision in January 2015.

In the particular circumstances here and given the amount Mr B asked to borrow, I think Satsuma gathered enough information to make an informed decision about lending to Mr B. The checks it did were proportionate in the circumstances. I think Satsuma reached a reasonable view about Mr B's ability to repay the loan, based on what it had seen. Simply having other borrowing doesn't necessarily indicate that affordability is an issue.

Mr B says he was ill and off work at the time of the loan. There's nothing to indicate Satsuma knew that. Mr B appeared to receive his usual salary in the month he asked Satsuma for the loan. There was nothing to alert Satsuma to the possibility that might change.

Based on all I've seen, I think Satsuma carried out proportionate checks before deciding to lend to Mr B and came to a reasonable view about affordability. I don't think Satsuma treated Mr B unfairly by deciding to lend to him.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 October 2016.

Louise Povey
ombudsman