

## complaint

Mr E complains that Provident Personal Credit Limited (trading as Satsuma) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file.

## background

Mr E took out eight instalment loans with Satsuma as follows:

Loan Number	Date of loan	Amount of loan	Term	Instalments	Date repaid
1	09 March 2014	£150	13 weeks	£69.98/month	21 May 2014
2	16 September 2014	£200	13 weeks	£93.34/month	19 December 2014
3	9 February 2015	£150	13 weeks	£69.98/month	15 May 2015
4	12 December 2015	£200	13 weeks	£95.42/month	20 January 2016
5	3 March 2016	£400	13 weeks	£190.80/month	3 June 2016
6	4 December 2016	£500	3 months	£246/month	21 March 2017
7	9 June 2017	£500	6 months	£158/month	28 September 2017
8	19 August 2017	£200	3 months	£98.40/month	4 November 2017

Mr E says the loans weren't affordable and Satsuma didn't make sufficient checks before lending to him. He says he was borrowing to repay debts.

The investigator recommended that the complaint should be upheld. She said Satsuma did sufficient checks for the first seven loans given the amount of the repayments, the gaps between some of the loans and Mr E's stated income and expenditure. The investigator said Satsuma should have made more checks before loan eight, given Mr E's borrowing pattern and that the previous loan hadn't been repaid. Had it done so, it would have known Mr E had existing financial commitments of about £900 and the loan wasn't affordable.

The investigator said Satsuma should refund interest and charges on loan eight, with interest at 8%, and remove adverse information about the loan from Mr E's credit file.

Satsuma agreed. Mr E didn't agree. He said the information he'd provided to Satsuma about his expenditure wasn't accurate. His bank statements show his outgoings are higher. Mr E says his credit record shows his consistent borrowing from mid 2012.

## my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

### Loans 1 to 3

When Mr E took out the first two loans he told Satsuma his monthly income was £1,500 and his expenses were £870. When he took out the third loan, Mr E said his monthly income was

£1,400 and his expenditure was £550. Satsuma increased his expenditure to about £880 after its credit check.

Based on the information Satsuma received, Mr E had enough income left to meet the loan repayments. Given the amount of the repayments and Mr E's stated income, I think these checks were proportionate.

#### Loans 4 to 7

There was a gap of about seven months between Mr E repaying the third loan and applying for the fourth loan. He told Satsuma his monthly income was £1,500 and his expenditure was about £900. When he applied for the fifth loan, Mr E said his monthly expenditure was £800. Satsuma increased this to about £1,050 after its credit check.

There was a gap of about six months between Mr E repaying the fifth loan and applying for the sixth loan. He told Satsuma his monthly income was £1,500 and his expenditure was £800, which Satsuma increased to about £900 after its credit search. When he took out the sixth loan Mr E told Satsuma his monthly expenditure was about £870.

Based on the information Satsuma received, Mr E had enough income after meeting his usual outgoings and existing commitments to meet the loan repayments.

Mr E says the information he gave Satsuma about his expenditure wasn't correct. He says this was because he was under pressure to borrow as he needed to make repayments on existing debts. But I don't think Satsuma knew this. I don't think, at this point, it needed to ask Mr E to provide evidence of his expenditure. Where information from its credit search suggested Mr E's expenditure was higher than he'd stated, Satsuma used the higher expenditure to assess affordability.

Mr E says his credit report shows he'd been borrowing regularly since 2012. This doesn't necessarily mean Satsuma shouldn't lend to him or that the loans weren't affordable. Satsuma says it did a credit search to check Mr E's expenditure so it could assess whether the loans were affordable. I haven't seen anything to suggest the information in its credit check should have alerted it to a possible problem.

While Mr E had now taken out seven loans, there were gaps of six months or more between some of the loans. I don't think Mr E's pattern of borrowing would have alerted Satsuma to a possible problem, such as reliance on short term debt. Given the breaks in borrowing, the amount of the repayments and Mr E's stated income, I think the checks made by Satsuma were proportionate.

#### Loan 8

Mr E applied for the loan 8 about two months after taking out the previous loan, which he was still repaying. I think at this point further checks were needed. As Satsuma has agreed to refund interest and charges, with interest, and remove adverse information about this loan from Mr E's credit file, I won't consider this further here.

**my final decision**

My decision is that I uphold this complaint. I order Provident Personal Credit Limited to:

- Refund all interest and charges that Mr E paid on loan 8;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Remove any negative information about loan 8 from Mr E's credit file.

\*HM Revenue & Customs requires Satsuma to take off tax from this interest. It must give Mr E a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 25 May 2018.

Ruth Stevenson  
**ombudsman**