

**complaint**

Mr A complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave him loans that he couldn't afford to repay.

**background**

Mr A was given three loans by Satsuma between January and October 2016. Each of the loans was due to be paid in weekly instalments – the first loan over 52 weeks, the second loan over 39 weeks and the final loan over 30 weeks. Loans 1 and 2 were repaid early, but Mr A wasn't able to repay the final loan as agreed and is making small monthly repayments. At the time he brought his complaint to us a large balance remained outstanding. A summary of Mr A's borrowing from Satsuma is as follows;

<b>Loan Number</b>	<b>Borrowing Date</b>	<b>Repayment Date</b>	<b>Loan Amount</b>
1	27/01/2016	11/07/2016	£ 700
2	03/08/2016	06/10/2016	£ 1,250
3	06/10/2016	-	£ 1,250

Mr A's complaint has been assessed by one of our adjudicators. She thought that the checks Satsuma had done before agreeing the first two loans had been sufficient. And although she thought Satsuma should have done more checks before agreeing the third loan, she thought better checks would have still suggested that this loan was affordable for Mr A too. So she didn't think that the complaint should be upheld.

Mr A didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

**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 make checks to see whether Mr A could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr A was borrowing, and his lending history, but there was no set list of checks Satsuma had to do.

Satsuma has told us about the checks it did before lending to Mr A. Before each loan it asked him for details of his income, and his normal monthly expenditure. It then compared this to other data sources and, where appropriate, increased what Mr A had declared to reflect higher spending. Satsuma also says it checked Mr A's credit file before agreeing each of the loans. It has only been able to provide us with the results of the checks on the last two loans but I'm not aware of any reason those results would be different from what was seen at the time of the first loan. The results of those checks don't appear to give any additional concerns to the lender.

I have seen that Mr A is surprised that the results of Satsuma's credit checks didn't cause any concerns to the lender. But the results a lender receives from a credit check might be very different from what a consumer can see on their own credit file. For example some of the data might be anonymised, or the report might only show a subset of the data that is available. But there isn't a requirement for a lender to request specific credit file information – just to conduct proportionate checks and react appropriately to the information it can see.

Each of Mr A's loans was repayable in weekly instalments. So the amounts that Mr A needed to repay each time were smaller than if he'd taken a normal payday loan. But of course he was committing to making those repayments over a far longer period. I've also seen that Mr A has said paying weekly caused him difficulties as his income was received monthly. But I think it would have been clear to Mr A from the outset that this is how the loans were structured. I can also see that when Mr A told Satsuma of his budgeting problems during the first loan it allowed him to make his payments monthly instead. And even after that Mr A took a further two loans from Satsuma with weekly repayments.

The first loan that Mr A took required him to repay just over £26 each week. That appeared to be easily affordable based on what he'd told Satsuma about his normal disposable income, and even after that figure had been reduced a little by Satsuma's own calculations. This was the first loan that Mr A had taken from Satsuma so I think it was reasonable for the lender to rely on the information he'd provided. I think the checks Satsuma did here were proportionate and that it wasn't wrong to give this loan to Mr A.

As I said earlier, Mr A faced some problems repaying this loan. He was late making some of his payments although he usually caught back up within a few days. And when he explained to Satsuma that he was finding the weekly payments difficult to manage, he was allowed to make payments each month instead. Mr A fully repaid his first loan early, around six months before it was due to end and so received a reduction in the amount of interest he was due to pay.

Just less than a month later Mr A asked to borrow again from Satsuma. And the amount he asked to borrow was much higher, and over a shorter time. So his repayments were also much higher than they were on the first loan. But they still appeared to be easily affordable based on what he'd said about his disposable income. Although the problems he'd had with his repayments on the first loan might have caused some additional concerns to Satsuma I don't think they'd have been enough to make me think further checks were needed. I still think it was reasonable for Satsuma to base its affordability assessment on the information Mr A had provided. I don't think it was wrong to give him this loan either.

Mr A again changed his repayments to a monthly basis. And he then repaid his second loan after around two months – it was scheduled to run for nine months. And on the same day he asked Satsuma for another loan. The amount he asked to borrow was the same as before, but this time the loan was over just 30 weeks. So Mr A's weekly repayment was even higher than it was on the second loan.

I think Mr A's repayment history, and the higher repayment, should have led Satsuma to consider whether Mr A's finances were under some pressure. Although I still think it was reasonable for Satsuma to base its affordability assessment on information that Mr A provided, I think it should have asked him some very specific questions about any other short term loans that he was already committed to repaying.

But although I don't think the checks Satsuma did before agreeing this loan were sufficient, that in itself doesn't mean that Mr A's complaint should succeed. I'd also need to be persuaded that the checks I've described above would have shown Satsuma that Mr A couldn't sustainably afford the loan. So I've looked at Mr A's bank statements, and what he's told us about his financial situation, to see what those checks would have shown Satsuma.

When he applied for the third loan Mr A told Satsuma that he had £1,290 left over each month that he could use to make his repayments. I can see that, at the time he asked for this loan, he was already committed to making some other repayments on short term loans. But even after reducing the disposable income to take account of these repayments it would still have seemed to Satsuma that Mr A could easily afford the repayments. So I don't think it was wrong to give him this loan either.

Mr A has told us that his financial situation was much worse than I've described above. He had taken a number of long term loans from other lenders. But I can see that Satsuma asked Mr A for details of his commitments on other credit when it gathered details of his expenditure. I don't think that it was unreasonable, at that stage of its lending relationship with Mr A, for Satsuma to rely on the answers he gave.

In summary I think the checks Satsuma did before the first two loans were proportionate, and suggested that the loans were affordable for Mr A. And although I think Satsuma should have done more checks before the final loan, I think that proportionate checks would have suggested that this loan was also affordable.

### **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'm required to ask Mr A to accept or reject my decision before 15 November 2018.

Paul Reilly  
**ombudsman**