

complaint

Mrs K complains that Provident Personal Credit Limited (trading as Satsuma) gave her loans that she couldn't afford to repay.

background

Mrs K took two loans from Satsuma. In July 2017 Mrs K borrowed £900 that she agreed to repay in six monthly instalments of £284.40. And then, in September 2017, Mrs K took an additional loan of £330 that she agreed to repay in six monthly instalments of £104.28. Mrs K made the initial repayment on her first loan around a week late. And since then she has only made a small repayment of £30 on each loan.

When Mrs K first complained to Satsuma it noted the financial difficulties she was facing. As a result Satsuma offered to remove the interest it had added to the second loan as a gesture of goodwill. Mrs K didn't accept that offer and brought her complaint to this Service.

Mrs K's complaint has been assessed by one of our adjudicators. She thought that the checks Satsuma had done before each of the loans had been proportionate. And that those checks suggested that the loans were affordable for Mrs K. So our adjudicator didn't think the complaint should be upheld.

Mrs K disagreed with that assessment. So she has asked, as she is perfectly entitled to, that the complaint be decided by an ombudsman.

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 Mrs K could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs K was borrowing, and her 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 Mrs K. It asked her, before each loan, for details of her income and normal monthly expenditure. And it checked her credit file each time too.

At this stage, I think it is important to note that the information a lender might receive when it does a credit check could be very different from the details a consumer can see on their credit file. There is often a time delay between loans being taken and them being reported on a credit check. And most of the time a lender will only receive a small subset of the total information held by a credit reference agency.

Before each of Mrs K's loans, the results that Satsuma received from its credit check didn't show the full extent of Mrs K's borrowing. But I don't think that I can hold Satsuma responsible for this. There was certainly nothing in the results Satsuma received that suggested the financial problems Mrs K was facing, or that it might have been necessary to undertake further checks.

The amount Mrs K needed to repay each month on her first loan was relatively modest compared to the income she'd declared to Satsuma. And the expenditure she told the lender about suggested that the repayments were easily affordable for her. So considering this was the first loan she'd taken from Satsuma, I think the checks the lender did were proportionate. I don't think Satsuma did anything wrong in giving this loan to Mrs K.

Mrs K didn't make her first repayment on that loan on time. Satsuma's notes from the time suggest that she contacted the lender to explain that she was having some problems with her bank account, and that the payment would be slightly delayed. Mrs K made her first repayment a few days later. And then almost immediately she asked to take another loan.

I've considered whether Mrs K's late payment should have caused additional concerns to Satsuma. But I'm not persuaded that it should have. Mrs K had explained the payment was late because she was having problems with her account – not because she was facing any financial problems. And she did make the full payment just a few days later.

However, I think Mrs K asking for another loan, when she had only just begun repaying her first might have caused some concern to Satsuma. But the amount she asked to borrow was much smaller than her first loan, and her combined repayments would have still seemed easily affordable based on the information she'd provided to Satsuma. So on balance I think the checks Satsuma did here were also sufficient and that it wasn't wrong to give this loan to Mrs K either.

I appreciate that Mrs K's financial situation was much worse than the position she declared to Satsuma. She was borrowing from a number of other lenders. And looking at her bank statements it seems she was gambling very heavily. But given the early stage of its relationship with Mrs K, and in the absence of any other adverse information, I think Satsuma was entitled to rely on the information she'd provided. And that information suggested that the loans were affordable.

I appreciate that this decision will be disappointing for Mrs K. She still has a significant balance to repay to Satsuma. I'd encourage Mrs K to get in touch with the lender to explore how she might begin to reduce that debt. And I'd remind Satsuma of the need to continue to treat Mrs K positively and sympathetically in those discussions.

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 Mrs K to accept or reject my decision before 9 March 2018.

Paul Reilly
ombudsman