

complaint

Mr C complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent him money without carrying out adequate checks to make sure he could afford to repay the loans.

Mr C is also unhappy with the way Satsuma has handled his account since he told it about his financial difficulties.

background

Mr C took out two instalment loans with Satsuma. The first in May 2017 was for £200. Satsuma expected Mr C to repay the loan over six months at £63 each month.

Mr C took out the second loan for £400 in September 2017. Mr C was due to repay the second loan by six monthly instalments of £126.

Mr C declared a monthly income of £2,200 before each loan. He said he had £1,000 of monthly outgoings including credit commitments.

The adjudicator didn't recommend that Mr C's complaint be upheld. He thought that Satsuma carried out adequate checks before agreeing both loans. And based on the income and expenditure figures Mr C gave Satsuma, it was reasonable to have agreed to lend.

The adjudicator explained that although Satsuma's credit check showed Mr C had an outstanding payday loan balance, it looked as though 22 months had passed since Mr C's most recent short term loan.

The adjudicator didn't think that it was unreasonable of Satsuma to ask Mr C for details of his income and expenditure before agreeing a repayment plan for loan two.

Mr C isn't happy with the adjudicator's recommendation. Mr C questions the adequacy of the credit checks as he thinks they should've shown his other more recent payday loans. Mr C thinks that with more extensive checks, Satsuma would've seen that he was in arrears with other lenders after constantly taking out short term loans.

Mr C points out that Satsuma now wants him to give full income and expenditure details when previously it was happy to take his word.

my findings

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

Satsuma was required to lend responsibly. It needed to make checks to see whether Mr C 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 C was borrowing, the length of the agreement and his borrowing history. But there wasn't a set list of checks that Satsuma had to do.

Even if I find that Satsuma didn't carry out adequate checks, it won't necessarily mean that I must uphold Mr C's complaint. I would need to be persuaded that with proportionate checks, Satsuma would've discovered that one or both of the loans weren't affordable for Mr C.

For both loans Satsuma expected Mr C to repay a relatively modest proportion of his declared income each month. From the information Mr C gave about his income and expenses, it looked as though he could comfortably afford the repayments on the loans.

From the credit information that Satsuma held about Mr C, it looked as though he'd only taken out seven other short term loans within the previous six years. So I don't think that Satsuma should've reasonably been alerted to a possible dependency on short term lending.

Although Satsuma could see that Mr C had an outstanding payday loan balance, it appeared that this was an old balance. As far as Satsuma was aware, it had been almost two years since Mr C had taken out another payday loan and there were no defaults recorded. Even if Mr C's true financial situation was worse than he told Satsuma, I don't think what I consider were proportionate checks would've shown this.

I appreciate that Mr C's own credit report shows that he'd taken out other short term loans more recently than 22 months but not all the information in Mr C's own credit file would've been available to Satsuma. This might happen because a lender only reported to one credit reference agency while another lender used a different credit reference agency.

Based on what Satsuma knew about Mr C, it looked as though he had enough disposable income to afford both loans.

I agree with the adjudicator that it's reasonable of Satsuma to ask Mr C for details of his income and expenditure before agreeing a repayment plan. As Mr C has said that he's in financial difficulties, I would expect Satsuma to make sure that any repayment plan is affordable. If Mr C hasn't done so, I urge him to contact Satsuma to discuss this further.

Overall, I don't find that Satsuma has done anything wrong. I understand that my decision is likely to disappoint Mr C but I don't uphold his complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 January 2019.

Gemma Bowen
ombudsman