

complaint

Mr W complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent money to him that he couldn't afford to repay.

background

Mr W entered into two instalment loans with Satsuma Loans.

Loan	Amount	Date	Term	Repaid
1	£500	30 Sep 2017	3 months	25 Jan 2018
2	£1,200	04 Nov 2017	12 months	

Mr W says that at the time of the loans he already had other outstanding credit commitments. He says the loans weren't affordable given the other commitments he had and that the loans left him in a terrible financial position.

Satsuma Loans says that before the loans were provided it gathered information about Mr W's income and expenses and carried out credit checks and that based on this the loans were affordable. It says that at the time of the loans there were no financial difficulties evident.

Our adjudicator didn't uphold this complaint.

Mr W didn't accept our adjudicator's view. He said that the second loan was provided irresponsibly. He said at the time relevant checks weren't carried out as had they been Satsuma Loans would have realised he had a number of other outstanding debts including other short term loans. He said his credit report would have shown he was in financial difficulty as the amount he owed exceeded his income.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Satsuma Loans needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr W could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Certain factors might point to the fact that Satsuma Loans should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Satsuma Loans was required to establish whether Mr W could sustainably repay his loans - not just whether the loan payments were affordable on a strict pounds and pence calculation.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

Before the first loan was provided, information about Mr W's income and expenses was gathered. Based on this the loan repayments appeared affordable. A credit check was also carried out and having looked through the information I do not find that this raised concerns that would have required further checks to have taken place. Overall I don't find I have enough to say that this loan shouldn't have been provided.

The second loan was for a larger amount (although it was repayable over a longer term) and was taken out before the first loan was repaid. Therefore I have considered the total amount Mr W was required to pay on the two loans. I have also looked through the credit check results. While I can see the credit check showed Mr W had made use of other short term loans I don't find that the information gathered gave concerns that meant the loan shouldn't have been provided. This was only the second loan provided to Mr W and at this time I don't think there was enough to say that a pattern of borrowing had emerged that would suggest the loan wasn't affordable.

Based on the above, I do not find that I have enough evidence to say that Satsuma Loans shouldn't have provided the loans.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 November 2019.

Jane Archer
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