

complaint

Mr S complains that the loans he had from Provident Personal Credit Limited (trading as Satsuma Loans) were unaffordable and that it was irresponsible to continue to lend to him.

background

Mr S had three instalment loans from Satsuma between 24 November 2016 and 15 July 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Status</u>
1	24 Nov 2016	£500	12 Months	£83.00	With Debt Collection Agency
2	20 Mar 2017	£100	3 Months	£49.20	Repaid
3	15 Jul 2017	£1,000	12 Months	£166.00	With Debt Collection Agency

Mr S says he managed to make the repayments on the first loan by using a consolidation loan, but then borrowed twice more. He says Satsuma should have realised he couldn't afford to make the additional repayments, especially as the amount he was borrowing was increasing.

Satsuma says it asked Mr S for information about his income and expenditure and also used data from credit reference agencies. It says none of this information gave it any reason to believe any of three loans were unaffordable and, up to and including the final loan, Mr S's payment history was good.

Our adjudicator did not recommend the complaint should be upheld. She found that Satsuma's checks went far enough and that none of its information indicated the loans were unaffordable.

Mr S responded to say, in summary, that, at the time of each loan, he owed between £1,600 and £3,500 to other short-term loan providers. He says that clearly any further repayments were unaffordable and that the checks should have been more thorough given the repayment period was a number of months.

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 Loans was required to lend responsibly. It should have made checks to make sure Mr S could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr S was borrowing, and his lending history. But there was no set list of checks Satsuma Loans had to do.

When Mr S applied for his first loan from Satsuma, he told it his income was just over £2,000. As this was Mr S's first loan and the repayments were a small proportion of Mr S's declared income, I consider those checks were proportionate and that it was reasonable for Satsuma to approve the loan.

Similarly, when Mr S applied for his second loan, his self-declared income remained the same. Although his first loan was still outstanding, the total monthly repayment of just over £130 was still a small proportion of his income. As Mr S had made all his previous repayments on time I can't conclude Satsuma needed to do further checks before approving the second loan.

In July 2017, when Mr S applied for his third loan, he was still making repayments on the first loan, although the second had been repaid. Given the total monthly repayment was now almost £250, and this was Mr S's third loan application, I think proportionate checks should have included asking Mr S about his expenditure too. Satsuma did this and found Mr S could afford to make the repayments sustainably from his disposable income.

I acknowledge Mr S said none of the loans were affordable because of the level of short-term debt he had at the time, but I don't consider Satsuma needed to make that level of checks at this stage. Satsuma was entitled to rely on the information provided by Mr S and I can't see it had any reason to further verify that data, or carry out additional checks. So, based on that, Mr S's payment record, and the information it had from the credit reference agencies, I can't conclude Satsuma was wrong to approve any of the loans.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 April 2018.

Amanda Williams
ombudsman