

complaint

Mr H complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave him instalment loans he couldn't afford. He wants a refund of his interest and charges, with interest, and his credit file amended.

background

Mr H had six loans from Satsuma between October 2015 and October 2016. He said he was borrowing from other lenders as well and he was dependent on short-term lending. Satsuma said it had carried out affordability and credit file checks. It said these showed that its loans to Mr H were affordable. But Satsuma said it hadn't updated Mr H's credit file to show that the last loan had been repaid. So it offered him £30 compensation for this.

Our adjudicator recommended that the complaint should be upheld in part. She thought Satsuma's affordability checks went far enough for loans one to four, but not for loans five and six. She thought that if it had made better checks, it would have seen that loan five was affordable, but not loan six. So she thought that Satsuma should refund Mr H the interest and charges he paid on this loan, with interest, and remove any adverse information from his credit file.

Satsuma agreed to do this. But Mr H replied that having six loans from one company in 12 months was irresponsible lending. He said he was borrowing to repay other lenders and to pay for gambling.

my findings

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

Mr H's first loan was for £400 to be repaid in 13 weekly instalments of £44.03. Mr H repaid this loan early and the next day he borrowed £500 to be repaid in instalments of £55.04. A month after repaying this loan, Mr H borrowed £100 with instalments of £11.01. He repaid loan three early and then borrowed and repaid the same amount again.

Four days later, he borrowed £200 with instalments of £22.02. He repaid this early and then borrowed £400 to be repaid in 39 weekly instalments of £20.41. This loan was passed to a debt collection agency and Mr H prepaid it in full.

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

Satsuma said it asked Mr H for his income and outgoings and checked his credit file for each loan. Mr H said he earned between £2,200 and £2,700 after tax. He told Satsuma that his living expenses were low and he had some other loans. This gave him a disposable income between £1,618 and £2,500.

I agree with the adjudicator that these checks were proportionate and sufficient for Mr H's first four loans. The amounts he had to repay were small compared to his disposable income, so they looked affordable. Mr H repaid some loans early. I can't see that there were any warning signs that should have alerted Satsuma to make further checks before approving the loans.

I understand that Mr H had other loans at the time, but I think Satsuma could reasonably rely on what he told it about his income and outgoings at this stage. We look at affordability, not the number of loans provided. So I can't say Satsuma was wrong to provide loans one to four.

From loan five, however, I think Satsuma should have been concerned by the pattern and frequency of Mr H's borrowing. I think it should have looked to verify what Mr H had told it and checked his financial circumstances fully.

I've looked at Mr H's bank statements from the time to get this information, but Satsuma could easily have asked Mr H for it. From these I can see that when Mr H asked for loan five, he earned less than he'd stated. But his outgoings including other short-term loan commitments left him with sufficient disposable income to comfortably repay his loan. So I think if Satsuma had made better checks it would have seen, as I have, that loan five was affordable.

But when Mr H asked for loan six, the same checks would have shown that Mr H had new financial commitments and also other loan repayments due. These left him with no disposable income to repay Satsuma's loan. So I think that if Satsuma had made sufficient checks, then it would have seen, as I have, that loan six was unaffordable. So I think it was wrong to approve this loan.

I can see that Satsuma has upheld Mr H's complaint about his credit record and paid him £30 compensation for not updating this sooner. I think this is fair and reasonable.

my final decision

My final decision is that I uphold this complaint in part. I require Provident Personal Credit Limited (trading as Satsuma Loans) to do the following:

1. Refund Mr H the interest and charges he paid on loan six, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Satsuma to withhold income tax from that interest. It must give Mr H a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to his loan from Mr H's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 May 2018.

Phillip Berechree
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