

complaint

Mr L complains that Provident Personal Credit Limited (trading as Satsuma) didn't properly consider his financial circumstances and lent him money that he couldn't afford to pay back.

background

Mr L explains that he took out a number of loans with Satsuma starting in September 2014. He says that proper affordability and credit checks weren't done and if they had been Satsuma would have seen that he was reliant on payday lending. He says that Satsuma shouldn't have lent him the money because it was clear that he was borrowing from payday lenders to meet his credit commitments and he couldn't afford to pay it back.

Our adjudicator recommended that the complaint was upheld. He thought Satsuma should've seen from the time of the second loan application that Mr L had significant payday borrowing and it should have carried out further checks. He thought that checking Mr L's credit file would've revealed the number of payday loan accounts he had and Satsuma should've seen that he was overly reliant on payday lending.

I issued a provisional decision on the 28 April 2016 explaining that I thought the loans were affordable for Mr L taking into account his income and spending pattern. Mr L replied to say that Satsuma didn't carry out proper checks and if it had done it would've seen that he was using the lending as a crutch to support his gambling and he asked Satsuma a number of times to close the facility to stop him from using it but Satsuma said it couldn't.

my provisional findings

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

I have reviewed all of the paperwork that was completed by Mr L. I can see that he applied on the 13 September 2014 for a loan of £250. Mr L declared that his income was £2500 and his outgoings were £650. Taking into account the amount borrowed against Mr L's declared income and outgoings I think it was reasonable for Satsuma to lend this money. The loan was repaid early. This would suggest that the loan was affordable.

The second loan was taken out in October 2014 and was also repaid in full early. Mr L took out a total of 6 loans with Satsuma and they were all repaid early and in full. The number of short term loans taken out by Mr L might suggest that he was having difficulty meeting his monthly commitments without relying on credit. I have considered whether this pattern of borrowing should have suggested to Satsuma that Mr L was in difficulty. I have looked very carefully at Mr L's bank statements to see if the loans were unaffordable.

From what I have seen of the bank statements Mr L is able to afford the repayments on the loans from his income. Mr L doesn't appear to be in financial difficulty and his account is within the overdraft limit. Looking at the evidence I have Mr L chose to use short term borrowing as a convenient source of money and then repaid it out of his income. I don't think Mr L was using short term borrowing to meet his everyday needs or service his credit commitments. I fully understand why Mr L wanted to remove this source of income but I can't say that the loans were unaffordable or it was irresponsible for Satsuma to lend when he asked it to. I say this because Mr L had an excellent repayment history, he didn't explain that he was in financial difficulty because of the lending and he chose to borrow the money. I can't say that Satsuma should've refused to lend to him in these circumstances.

Satsuma asked Mr L about his outgoings and his credit commitments. The information provided didn't suggest that Mr L would be unable to afford his repayments and showed a significant level of disposable income. Mr L repaid all of his loans early. I don't think that Satsuma acted incorrectly or unfairly by deciding to lend to Mr L on the basis of the information he had given them especially taking into account his income and expenditure and given the amount of money involved. Looking at the paperwork, Satsuma did assess whether the lending was affordable and there was nothing in Mr C's circumstances that would suggest that he wouldn't be able to pay the money back.

Although Mr L has taken out a number of loans within a short space of time this isn't the only indicator that he may be reliant on short term borrowing. Satsuma was entitled to take into account Mr L's repayment history and what he told it about his income and outgoings. If Satsuma had asked for Mr L's bank statements I can't conclude that its decision would've been any different. I say this because at the time of taking out the borrowing with Satsuma Mr L's position with payday lending was different to the situation earlier in the year. At that point the statements don't show a pattern of borrowing that should've prompted Satsuma to ask more questions.

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 L to accept or reject my decision before 11 July 2016.

Emma Boothroyd
ombudsman