

complaint

Mr B complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file.

background

Mr B took out four instalment loans with Satsuma in 2016, as follows:

Loan	Date of loan	Amount of loan	Instalment amount and term	Date repaid
1	11/08/2016	£500	£36.83p/w over 26 weeks	09/09/2016
2	09/09/2016	£1000	£51.03p/w over 39 weeks	12/09/2016
3	22/09/2016	£1000	£38.27p/w over 52 weeks	29/11/2016
4	29/11/2016	£1000	£166p/m over 12 months	30/11/2017

Mr B says Satsuma didn't carry out affordability checks. He says he had numerous other loans, defaults, late payments and a low credit score. He says he applied for loans immediately after repaying the previous loan. Mr B says this led to depression and financial hardship and Satsuma wasn't sympathetic when told about this and his difficulties repaying the last loan.

Our adjudicator didn't recommend that the complaint should be upheld. She said:

- Satsuma made sufficient checks before offering the first loan. While it should have made further checks before offering loans 2 to 4, if it had, it's likely it would have assessed the loans repayments as affordable.
- Satsuma offered to assist Mr B when he had difficulty repaying loan 4. But Mr B didn't take up its offer of a payment arrangement.
- Mr B asked for an early settlement figure for loan 4. This is valid for 30 days. Satsuma didn't have to agree to it being paid over a longer period.

Mr B didn't agree. He made comments on the adjudicator's view which I've considered in my findings.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

loan 1 (August 2016) and loans 2 and 3 (September 2016)

Satsuma asked about Mr B's income and expenditure before offering loan 1. The information Satsuma received suggested Mr B would have been left with disposable monthly income of about £675 to meet the weekly loan repayments of about £37.

Mr B repaid loan 1 early and took out loan 2 the same day. Loan 2 was repayable in weekly instalments but Mr B repaid it within a few days of taking it out. He took out loan 3 ten days later.

Satsuma asked about Mr B's income and expenditure before offering loans 2 and 3. Mr B said his monthly income was £2,100 and his expenses (housing, financial commitments and other) were about £1,100. Satsuma increased Mr B's expenditure to £1,360. The information Satsuma received suggested Mr B would have been left with disposable monthly income of about £740 to meet the weekly loan repayments of about £51 and £38.

I think given Mr B's stated income and the amount of the loan repayments these checks were proportionate. I think it was reasonable, based on the information Satsuma received, to assess these loans as affordable.

The adjudicator said Satsuma should have made more checks before offering loans 2 and 3. I don't think it needed to do so. But the outcome of this complaint is the same either way: the adjudicator said that had Satsuma made more checks it would still have assessed the loan repayments as affordable.

loan 4 (November 2016)

Mr B repaid loan 3 early and took out loan 4 the same day. He hadn't made payments for loan 3 on time. This was Mr B's fourth loan without a significant break. I think Mr B's pattern of borrowing and his difficulty in maintaining repayments for loan 3 should have alerted Satsuma to a possible problem and the need for more checks. I think it should have asked for information to gain a full understanding of Mr B's financial circumstances. While there are different ways of doing this, one is to look at his bank statements, as I've done.

Mr B's bank statements show his monthly income in late 2016 was about £2,300. He paid what appears to be monthly rent of £550. There's a monthly payment of £200 to a debt collection business. Mr B's other outgoings (including groceries, cash, clothes, toys, phone, card accounts and going out) total about £850 in September, £800 in October and about £900 in November 2016.

There are monthly payments of £203 to a short term lender. The bank statements we have copies of don't suggest that Mr B had other short term loans outstanding when he took out loan 4. Mr B says he had another loan with a short term lender but I haven't seen evidence that this would have made loan 4 unaffordable.

I think if Satsuma had made further checks, it would have assessed Mr B's monthly expenditure, including on his short term commitments, as about £1,850. This would have left him with about £450 to meet the repayments of £166 for loan 4. So I think it would have assessed the loan as affordable.

Mr B's comments

Mr B says Satsuma didn't make any checks. That's not right. Satsuma asked Mr B about his income and outgoings to assess whether the loans were affordable. While Mr B says Satsuma didn't do credit checks, his credit report shows searches by a Provident group company on the dates that he took out loans 2, 3 and 4.

Satsuma says it used credit reference agencies to verify Mr B's stated income and check his stated expenditure. It says the information it received suggested Mr B's expenditure was higher than stated for all four loans so it used the higher amount.

It's not clear what further information Satsuma received from its credit checks. It's unlikely its credit check would have provided the same amount of information as Mr B's credit report.

Mr B's credit report shows eight defaults. These are for personal loans, credit card accounts and short term loans. The most recent was April 2015. This was more than a year before Mr B took out loan 1. If Satsuma did know about these defaults this doesn't mean it couldn't lend to Mr B, so long as its checks were proportionate and it was satisfied the loan was affordable.

While Mr B had other short term or instalment loans this doesn't mean that Satsuma couldn't lend to him, provided it was satisfied the loan was affordable.

A pattern of taking out loans on the same day or shortly after repaying the previous loan can suggest a problem – such as reliance on short term loans or financial difficulty. Mr B took out instalment loans, paid them off early and then took out a new loan. But I don't think there was an established pattern of borrowing that would have alerted Satsuma to a problem when Mr B asked for loans 2 and 3.

Mr B says Satsuma should have made further checks and the information on his credit file and his pattern of borrowing should have alerted it to a problem. Lenders have to assess whether a loan is affordable using suitable information. But checks must be proportionate depending, for instance, on the size of the loan, the repayments and what the lender knows about the customer. I think the checks made by Satsuma were proportionate for loans 1 to 3.

As I've said, I think the combination of Mr B's borrowing pattern and the missed payments for loan 3 should have alerted Satsuma to the need for more checks before it offered loan 4. But I think it would have assessed the loan as affordable if it had made more checks.

Mr B says he had problems with gambling and depression when he took out the loans. But I don't think Satsuma could have known this.

Satsuma's response when Mr B had difficulty repaying loan 4

Mr B asked for the payment dates for loan 4 to be changed. Satsuma responded to this and said if the payments were too much Mr B should contact it about a payment arrangement. It made a number of offers to set up an affordable payment arrangement throughout January to June 2017. Mr B didn't contact Satsuma to set up an affordable payment arrangement – he told it what he intended to pay and when and what he considered was affordable.

When two consecutive payments were missed Satsuma cancelled the continuous payment authority and asked Mr B to contact it to make payment.

Mr B asked Satsuma for a reduced settlement offer in August 2017. Satsuma offered to settle the loan for a reduced amount. It said this could be paid in instalments provided it was paid within 30 days. I think this was reasonable.

I don't think Satsuma treated Mr B unfairly, based on the information it had. It offered to set up an affordable arrangement and offered a reduced settlement.

From what Mr B has said, his circumstances were difficult when he took out the loans. But I don't think Satsuma knew this. I don't think, in the circumstances, it's fair and reasonable to require Satsuma to refund interest and charges or amend Mr B's credit file.

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 B to accept or reject my decision before 18 March 2019.

Ruth Stevenson
ombudsman