

complaint

Miss M complains that Provident Personal Credit Limited (trading as Satsuma Loans) continued lending to her even though the repayments were unaffordable.

background

Miss M had five loans from Satsuma Loans between May 2014 and November 2016:

Loan	Date	Amount	Closed	Repayment	Notes
1	13 May 2014	£300	13 Aug 2014	13 weeks	Repaid early
2	14 Dec 2015	£600	22 Feb 2016	13 weeks	In arrears, Repaid early
3	29 Mar 2016	£650	11 Apr 2016	13 weeks	Withdrew
4	4 May 2016	£1000	19 Aug 2016	13 weeks	In arrears, Repaid late
5	2 Nov 2016	£1000	3 Aug 2017	13 weeks	In arrears, Repaid late

Miss M says she had to continue borrowing to make the repayments and the loans spiralled out of control. She said Satsuma Loans should've seen she didn't have enough disposable income to afford the repayments and that her credit file showed late payments and defaults.

Satsuma Loans offered to repay the interest and charges Miss M had paid on loans 2 and 3 but said its analysis of the other loans did not show there was an issue with affordability.

Our adjudicator did not recommend the complaint should be upheld. As Satsuma Loans had already made an offer on loans 2 and 3, she only considered loans 1, 4 and 5. She was satisfied that Satsuma Loans had carried out enough checks at the time of the loan applications and did not find the loans were unaffordable to Miss M.

Miss M responded to say, in summary, that she did not repay loans 1 and 4 on time due to financial hardship and was put on an Arrangement To Pay (ATP). She says she had to take further short-term loans to make the repayments and that Satsuma Loans did not check her employment details. She also said it took ten months to repay the last 13-week loan because of changes to her circumstances. Miss M says Satsuma Loans should never have approved it because of all her other outstanding debts which it should've seen on her credit file.

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 Miss M could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss M was borrowing, and her lending history. But there was no set list of checks Satsuma Loans had to do.

As Satsuma Loans has already offered on loans 2 and 3, I'll only consider loans 1, 4 and 5.

Loan 1

When Miss M applied to borrow £300 in May 2014, she told Satsuma Loans her monthly income was £4,300. As the maximum monthly repayment was just over £160, I'm satisfied Satsuma Loans didn't need to do any further checks before approving the loan.

I acknowledge Miss M says she had to agree to an ATP on this loan, due to financial hardship, but I don't find this to be the case. Satsuma Loans' records show that, in fact, Miss M made all the weekly payments on time and made the final payment a few days early.

Loan 4

Miss M applied for loan 4 three months after repaying loan 2, having cancelled loan 3. It was for £1,000, with repayments up to £550 in a month. So I'd have expected Satsuma Loans to ask Miss M about expenditure as well as income. I can see it did this and Miss M said her income was £3,600 with expenses of £750. As Miss M's disposable income comfortably exceeded the repayments I can't say Satsuma Loans was wrong to approve loan 4.

Loan 5

This was Miss M's third completed loan application in relatively quick succession and, again, she was applying for a £1,000 loan within three months of repaying loan 4. Miss M had declared her disposable income to be over £3,700, so I can understand why Satsuma Loans would have found a £550 repayment to be affordable. But, as Miss M had repaid loan 4 late, I think a proportionate check should have included looking at other short-term loans.

Satsuma Loans says it did this and I've seen the evidence it provided derived from Miss M's credit report. Although this says Miss M had no outstanding short-term loans, it does show a clear history of short-term borrowing. Because of this, and as credit reports aren't updated in real time, I think Satsuma Loans should've asked Miss M about her short-term borrowing. If it had done so, it would've found Miss M owed £900 to one provider and was repaying two others a total of almost £500 each month. That said, this still left Miss M with over £1,700 of disposable income, so I can't say Satsuma Loans was wrong to approve loan 5.

I accept Miss M got into financial difficulties before she could repay the final loan, but I'm satisfied that even if Satsuma Loans had carried out further checks, it would have found no reason to consider it unaffordable at the time of application.

my final decision

Provident Personal Credit Limited (trading as Satsuma Loans) should settle the complaint as follows, as it has offered to do:

- Refund all interest and charges that Miss M paid on loans 2 and 3;
- Pay interest of 8% simple a year on all refunds from date of payment to settlement date*;
- Deduct from this amount any refunds already paid;
- Remove any negative information about loans 2 and 3 from Miss M's credit file.

*HM Revenue & Customs requires Satsuma Loans to take off tax from this interest. Satsuma Loans must give Miss M a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 13 March 2018.

Amanda Williams
ombudsman