

complaint

Mr D complains that Provident Personal Credit Limited (trading as Satsuma Loans) did not carry out sufficient checks before lending to him.

background

Mr D took out three loans with Satsuma between February 2015 and July 2017. He says that proper checks were not carried out before the loans were provided and that had these taken place Satsuma would have realised he was making use of online gambling sites. He says that he was taking out several loans at the time and was spending most of the money on gambling or paying off other debts which often resulted in him falling behind on his priority debts.

Satsuma says that Mr D's first two loans were repaid in full and that his final loan remained active. It says that although Mr D did experience difficulties in making payments for his first and second loans there was nothing to suggest the difficulties were permanent and Mr D told it in February 2016 that he was no longer experiencing financial difficulty.

Satsuma says that before providing the loans to Mr D it gathered information on his income and expenditure (including other credit commitments) and carried out a credit check. It says that the information it gathered did not suggest that Mr D was reliant on short term loans and there was no reason to suspect the loans were not affordable.

Satsuma noted that Mr D's final loan remained active and says that Mr D should contact its repayments team to discuss a reduced repayment plan if the scheduled repayments are not affordable.

Our adjudicator did not uphold this complaint. She thought that the checks Satsuma carried out before providing the loans to Mr D were proportionate.

Mr D did not agree with the adjudicator's view. He said that Satsuma should have verified his income through supporting documents and that if it had looked at his bank statements it would have seen his gambling. He said that he was vulnerable in making financial decisions because of his gambling and that Satsuma should have asked about his other credit commitments after checking his 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.

Mr D took out three loans with Satsuma. Before agreeing to lend to Mr D, Satsuma had to make sure that he could afford to repay each loan. Affordability checks should be proportionate. What is proportionate depends on things like - but is not limited to - the size of the loan, the repayments, what Satsuma knew about Mr D, and what he told it about his circumstances.

Before providing each of the loans, Satsuma gathered information about Mr D's income and expenses and carried out a credit check. In this case I find it reasonable that Satsuma relied on the information Mr D provided.

Before the first loan was provided, Mr D said his monthly income was £2,500 and his expenses were £670. The loan was for £150 repayable over 13 weeks. This was Mr D's first loan with Satsuma and the amount borrowed was small relative to his income. Because of this and given his disposable income was sufficient to cover the repayments, I think the checks carried out were sufficient.

Satsuma also carried out a credit check before providing this loan. It was therefore required to consider the information it received. I have looked at the results of its credit check and these show that Mr D's last payday loan was taken out 10 months prior. It did record a payday loan default in the previous 12 months and a payday loan default amount of £591. I can see that this suggests Mr D was making use of other short term lenders. However I do not find that the adverse information in the credit search was sufficient to require Satsuma to carry out further checks.

The second loan was taken out in November 2015, around five months after the first loan was repaid. Before this loan was provided, Mr D said his monthly income was £3,000 and his expenses just under £1,000. The loan was for a lower amount than the first loan, £100, and again was repayable over 13 weeks.

While this was Mr D's second loan, there was a break between the loans and so I do not think it unreasonable that Satsuma was not at this stage concerned about Mr D's reliance on short term borrowing. As the loan amount was relatively small compared to Mr D's income and his disposable income was sufficient to cover the repayments, I do not think that further checks were required at this stage.

The credit search information no longer had a payday loan default recorded for the previous 12 months but still had the default amount of £591. However, looking at the information received through the credit search I do not think that this meant that Satsuma was required to carry out further checks.

I can see that Mr D had missed some of his payments on the first loan. However the reasons he gave for these did not suggest he was in ongoing financial difficulty. Overall, I think that the checks carried out before this loan was provided were sufficient.

Mr D missed some payments on his second loan. He explained in January 2016 that he had been out of work and was unable to meet his contractual payments. However, the following month he contacted Satsuma to say he was back in employment and no longer in financial difficulty. The second loan was repaid.

The third loan was provided in July 2017; more than a year after the second loan was repaid. Given the break between the loans I think it reasonable that this loan was considered as part of a new lending chain. The previous information Mr D had given suggested he was no longer in financial difficulty and he provided information about his income and expenses. This showed that he had a monthly disposable income of around £1,000. The third loan was for £200 repayable over six months.

The credit check carried out showed that the default amount had been removed and there were no payday loan defaults in the previous 12 months.

Based on the information I have seen I think the checks carried out before the three loans were provided were sufficient and so I do not uphold this complaint.

I note that the final loan is still active. Mr D has explained his financial situation and so I would expect him to be treated positively and sympathetically. Satsuma has suggested that Mr D contact its repayment team to discuss his payments.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 December 2017.

Jane Archer
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