

complaint

Miss S complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave her loans that she couldn't afford to repay.

background

Miss S took four loans from Satsuma between July 2015 and February 2016. She says she had over 60 loans from other payday lenders (taking out at least two each month from May 2014 to January 2016). She says she also had arrears on her credit card accounts, a default and an arrangement to pay and had recently been in a debt management plan. Miss S says Satsuma let her take out new loans on the day she repaid the previous loan.

The adjudicator didn't recommend that the complaint should be upheld, saying it's not clear Satsuma had any reason to think the loans weren't affordable. It asked for her income and outgoings, including loan repayments. Miss S repaid the first two loans on time or early. Satsuma didn't have to assume the loans weren't affordable just because Miss S had previously been in a debt management plan or used payday loans. Based on the information she provided it wasn't unreasonable for Satsuma to assess the loans as affordable. Miss S declined to send copies of her bank statements, so the adjudicator said she couldn't look further into whether the loans were affordable.

Miss S didn't agree. She said if Satsuma had done proper checks, it would have seen the loans weren't affordable. Other lenders refused her applications.

my findings

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

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.

Miss S took out four loans, each repayable in instalments. The largest of the loans was £600 and Miss S took out a £370 loan about a month later, while it was outstanding. Weekly instalments ranged from £14 to £36 (while the last two loans were outstanding).

Satsuma asked Miss S for information about her income and outgoings before each loan. It says its systems verified the information, using credit checks and national data about living costs, and assessed the loans as affordable. Miss S said her monthly income was £1,500 in July 2015, increasing to £1,800 in January 2016. Based on the information she gave about her monthly housing costs and loan repayments (between £500 and £800), I don't think it was unreasonable for Satsuma to assess the loans as affordable.

Satsuma also did credit checks before offering the loans to Miss S. Information about payday loans included the number taken out, the amount outstanding and that she hadn't defaulted during the previous 12 months. The number of payday loans and Miss S's request for a new loan as soon as (or before) the previous loan was repaid could suggest she was reliant on short term borrowing. But the information Miss S gave to Satsuma about her income and outgoings suggested this wasn't the case.

Miss S had been in a debt management plan, but that ended some months before she approached Satsuma. While she says she had arrears, a default and a payment arrangement when she asked Satsuma for the loans, it's not clear Satsuma knew this.

I think the checks carried out by Satsuma were proportionate in the circumstances. I don't think it was unreasonable to assess the loans as affordable based on the information it had. Also, I can't reasonably say that had it looked more closely at Miss S's circumstances, Satsuma would have seen the loans weren't affordable. I'd need evidence of Miss S's income and outgoings, such as her bank statements, to do this and Miss S hasn't provided these.

It follows that I don't think it's fair and reasonable to ask Satsuma to refund the interest and charges on these loans.

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 Miss S to accept or reject my decision before 5 October 2016.

Ruth Stevenson
ombudsman