

complaint

Mr D has complained about two loans taken out with Provident Personal Credit Limited, trading as Satsuma Loans ("Satsuma" or "the lender").

background

Satsuma agreed two loans for Mr D – one for £250 in September 2014 and a second in March 2016 for an amount of £500. Both loans were to be repaid over a six month or longer term. Mr D says that these loans were unaffordable for him and that Satsuma should have known this and not lent to him.

One of our adjudicators upheld Mr D's complaint and recommended that Satsuma repay the interest and charges he paid for his second loan. Mr D agreed with this recommendation but Satsuma didn't. And so the complaint has come to an ombudsman for a final decision.

my 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 also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Satsuma was required to lend responsibly. It needed to check that Mr D could afford to repay his loans sustainably. There was no set list of checks it needed to do, but the checks should have been proportionate to the circumstances of each loan which might include considerations about the amount borrowed, Mr D's borrowing history etc.

So in making this decision I have considered whether Satsuma did everything it should have when assessing Mr D's loan applications. And, following on from this, I have thought about whether any assessment failings resulted in Satsuma agreeing to lend to Mr D when it should have known that it would be difficult for him to repay. Having done so, I am upholding Mr D's complaint in part and asking the lender to refund the interest and charges Mr D paid for his second loan, as our adjudicator recommended. I appreciate that this will be disappointing for Satsuma but I hope my explanation makes clear why I have come to this conclusion.

Satsuma says it carried out a credit check and asked Mr D about his income and expenditure when he applied for each of his loans. I'm not sure whether or not there was anything on Mr D's credit file that would have alerted Satsuma to the possibility that Mr D's first loan might be unaffordable for him. So it may be that Satsuma didn't carry out proportionate checks in this instance. But, having looked through Mr D's bank statements from the time and bearing in mind that he was living with family, I don't think further checks would have shown that this loan was unaffordable for him.

As it turned out, Mr D began to struggle to meet his repayments within a few months. I understand (from the customer contact notes provided by Satsuma) that Mr D then spoke with a debt advice charity that helped him to set up a repayment plan. Mr D made some repayments in this way and eventually cleared his loan balance on the 14 March 2016. It had taken him about 18 months to repay a debt of just under £420.

Four days later Mr D applied for a loan of £500, twice the previous principal amount. This loan was agreed. Mr D then contacted Satsuma before the end of the month asking to set up

a repayment plan. It seems that Satsuma agreed to this, and also offered a settlement figure which was for a lower total amount if Mr D paid this in full. Mr D then paid the settlement figure to clear his loan by the end of April 2016.

Satsuma says that it is satisfied with the checks it carried out and doesn't believe it lent irresponsibly to Mr D. It also says that it cannot be held accountable for changes in Mr D's circumstances after it has lent to him. And that its lending policy has a level of tolerance to provide credit to customers who may have experienced financial hardship in the past.

I accept these points. But I think in this case Satsuma needed to do more than its usual checks, however robust it deems these to be. Mr D had significant trouble repaying his first loan and had only just done so a few days before Satsuma agreed to lend to him again, this time agreeing over twice the total amount repayable (albeit over a longer term). Altogether, I think the lender knew enough about Mr D's circumstances at that point to suspect that he might not be able to afford to repay a second loan.

I can see from Mr D's bank statements that in the months preceding this second loan from Satsuma he was repaying personal loans, short-term loans and spending regular sums on what appears to be gambling. Had Satsuma enquired further into Mr D's expenditure or asked to see his bank statements, for example, I think it would have found out that Mr D would not be able to afford another loan and, as a responsible lender, would not have agreed it. In order to put this right, Satsuma should refund the interest and charges Mr D paid for this loan.

fair compensation

Satsuma should have known that Mr D could not afford to repay his second loan taken out in March 2016. So it should:

- refund the interest and charges Mr D paid for this loan.
- pay interest on these refunds at 8% simple* per year from the dates of payment to the dates of settlement.
- remove any adverse information about this loan from Mr D's credit file.

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

my final decision

For the above reasons, I partially uphold Mr D's complaint and direct Provident Personal Credit Limited (trading as Satsuma Loans) to pay him compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 January 2017.

Michelle Boundy
ombudsman