

complaint

Mr S and his representative complain that Provident Personal Credit Limited (trading as Satsuma Loans) didn't carry out proper affordability checks and irresponsibly granted him unaffordable short term loans.

background

Satsuma Loans said in its final response that Mr S applied for the first loan in October 2016. It was for £200 repayable over 26 weeks. It asked for information about his income and considered a wide range of data including from credit reference agencies to assess the loan's affordability. When told of Mr S' health issues it assisted him in setting up a reduced repayment. The first loan was repaid. The next day it gave him a second loan for £330 repayable over 9 months after again assessing its affordability. The loans were issued responsibly and in line with its lending policy. Mr S still owes it money on the last loan.

Our adjudicator felt this complaint should be partly upheld. She said:

- Satsuma Loans says it completed external and internal checks and relied on the information Mr S gave about his income and expenditure. And this showed he'd a reasonable disposable income when both loans were given.
- Satsuma Loans' checks on the first loan were sufficient. It was enough to rely on his income details. The loan's payments were relatively small compared with his declared income. It wasn't wrong to lend loan one to him.
- But before loan two was given Satsuma Loans had been told he was using a debt management company and he'd agreed a repayment plan on the first loan. His representative had also told Satsuma Loans that Mr S had health and personal issues, was unemployed and unable to claim benefits. And that he'd other payday loans and adverse borrowing behaviour. This should've put Satsuma on notice that the information Mr S gave it wasn't necessarily correct and it couldn't rely on it.
- Satsuma Loans' checks on loan two didn't go far enough. It didn't obtain enough information about his personal circumstances to ensure he could afford to repay the loan. If it'd done more checks it would've seen he didn't have any disposable income at that time. Checks would've also shown he'd other personal issues that affected his disposable income. It was wrong to give Mr S the second loan.
- So, Satsuma Loans should refund all interest and charges paid on loan two plus pay interest. It should also write off any unpaid interest on loan two and use the refund to reduce any capital owing. And it should amend his credit file.

Satsuma Loans has agreed to refund £329.34 interest applied on the second loan. As Mr S hasn't made any payments towards loan two this will leave £330 outstanding on his account. It will not pay interest as Mr S hasn't paid back what he borrowed. It will also amend his credit file by removing the negative information relating to the arrears.

Mr S' representative says he would like Satsuma to wipe off or reduce the loan as Mr S is still in a position he shouldn't be because of its lending practices. Nothing has been paid off the second loan because of Mr S' circumstances. He's no income and significant debts.

my findings

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

Before lending to Mr S, Satsuma Loans had to make sure each loan was affordable. There aren't set checks it had to carry out. But its checks should've been proportionate to things like – but not limited to – the size of the loan, the repayments and what it knew about Mr S.

Taking everything into account I agree with the adjudicator's conclusions for the same reasons. I don't think Satsuma Loans did anything wrong lending the first loan to Mr S. Its checks were proportionate and the loan appeared affordable for him.

But I agree it should've done more checks on loan two. By then not only had Mr S entered a repayment plan on loan one but Satsuma Loans was also aware he was using a debt management charity, had personal and health issues. The second loan was also given the day after Mr S' representative paid off loan one.

This should've prompted Satsuma Loans to have asked more questions and done more checks. These would've likely shown it shouldn't have given loan two as it was unaffordable and unsustainable for Mr S.

I think Satsuma Loans' offer to write off the interest on loan two and amend Mr S' credit file is fair and reasonable.

And it appears that the only additional issue for me to now consider is whether Satsuma Loans should now be required to write off or reduce the amount Mr S still owes on the second loan. Its outstanding balance is now £330 and this represents the money Mr S borrowed.

Given that Mr S has had the benefit of this money I think it's fair and reasonable for him to repay it to Satsuma Loans. So, although I sympathise with the situation Mr S is in, I don't think I can fairly or reasonably require Satsuma Loans to reduce or write off the amount he now owes as his representative would like.

But if Mr S is in financial difficulties Satsuma Loans must treat him positively and sympathetically. This may include agreeing an affordable repayment plan with him.

my final decision

I uphold this complaint. To put things right I require Provident Personal Credit Limited (trading as Satsuma Loans), if it hasn't done so already:

1. To write off all the interest applied on loan two reducing the amount owed on it to £330; and
2. To remove any negative information about loan two from Mr S' credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 November 2017.

Stephen Cooper
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