

complaint

Mr P complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent him money he couldn't afford to repay.

background

Mr P took two instalment loans with Satsuma. The first in September 2016 was for £500. Satsuma expected Mr P to repay the loan over 52 weeks at £19 each week.

Mr P took out the second loan for £1,000 in January 2017 after he repaid the first loan early in November 2016. Mr P was due to repay the second loan by 12 monthly instalments of £166.

Mr P declared a monthly income of £1,300 before each loan. He said he had £310 of monthly outgoings before loan one, rising to £410 before loan two.

The adjudicator didn't recommend that Mr P's complaint be upheld. She thought that Satsuma carried out adequate checks before agreeing both loans. And based on the income and expenditure figures Mr P gave Satsuma, it was reasonable to have agreed to lend.

Mr P isn't happy with the adjudicator's recommendation. Mr P questions the adequacy of the credit checks as he thinks they should've shown his other payday loans. Mr P thinks that with more extensive checks, Satsuma would've seen that his monthly income was less than he declared at the time.

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 was required to lend responsibly. It needed to make checks to see whether Mr P could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr P was borrowing, the length of the agreement and his borrowing history. But there wasn't a set list of checks that Satsuma had to do.

Even if I find that Satsuma didn't carry out adequate checks, it won't necessarily mean that I must uphold Mr P's complaint. I would need to be persuaded that with proportionate checks, Satsuma would've discovered that one or both of the loans weren't affordable for Mr P.

For both loans Satsuma expected Mr P to repay a relatively modest proportion of his declared income each month. From the information Mr P gave about his income and expenses, it looked as though he could comfortably afford the repayments on the loans. Satsuma has explained that it added a buffer to the amounts that Mr P gave to account for any credit commitments that it had seen on Mr P's credit report and any unexpected expenses. I'm satisfied that Satsuma's checks went far enough before agreeing each loan.

Satsuma hasn't given us any credit search results for loan one so I can't say what information, if any, Satsuma was aware of. The credit check that Satsuma carried out before loan two doesn't show anything of concern such a default or late payment.

I appreciate that Mr P says he had a number of other short term loans. This service is dealing with some of Mr P's complaints about other short term lenders. I can see from these and the credit report that Mr P has given us that he took out loans with three other lenders shortly before Satsuma agreed loan one.

Mr P didn't tell Satsuma about these and I don't think it was proportionate to expect Satsuma to ask about them so early on in Mr P's borrowing history – particularly as I can't see anything about them in the information that Satsuma has given to us.

By the time Mr P asked to borrow again from Satsuma he'd settled his other short term loans. He didn't go on to take any new short term loans until after Satsuma had agreed loan two. Even if Mr P's true financial situation was worse than he told Satsuma, I don't think what I consider were proportionate checks would've shown this.

Based on what Satsuma knew about Mr P, it looked as though he had enough disposable income to afford both loans. I understand that my decision is likely to disappoint Mr P but I don't uphold his complaint.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 December 2018.

Gemma Bowen
ombudsman