

complaint

Mrs M complains that Provident Personal Credit Limited (trading as Satsuma Loans) made short-term loans to her when it shouldn't have.

background

In 2016 Satsuma made 2 instalment loans to Mrs M. By early 2017 she'd repaid them both. In August 2017 Mrs M complained that Satsuma had lent to her unfairly without checking her credit history.

Our adjudicator didn't recommend that the complaint should be upheld. She thought that it was reasonable for Satsuma to have made the loans, based on what it knew about Mrs M's financial circumstances and the loan repayment amounts. She said it had carried out sufficient checks.

Mrs M disagreed with the adjudicator's opinion. She asked for an ombudsman to review the complaint. She says, in summary, that if Satsuma had properly looked at her credit file, it would've seen she had many pay day loans from other lenders.

my findings

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

A lending business can make commercial decisions about whom to lend to and how much. But before agreeing to lend, the business has to check each time that the borrower can afford to make the repayments. And the checks must be proportionate.

When considering a complaint, we look at whether the business did checks proportionate to things like – but not limited to – the size of the loan repayments and the information it had about the borrower.

If we think the business did proportionate checks, we won't usually say that it shouldn't have agreed to the loan.

If we don't think the checks were proportionate, and we feel that proportionate checks would've revealed that the borrower couldn't afford the loan, we'll ask the business to put things right.

From its records, the Satsuma loans to Mrs M were as follows:

loan No.	loan date	loan amount (£)	date loan repaid
1	10.07.16	400.00	10.10.16
2	19.08.16	600.00	24.02.17

Before loan 1, Satsuma recorded Mrs M's monthly income as £2,000.00.

Loan 1 was going to require repayments spread over 13 weeks. The weekly repayments were going to be about £44.00. The monthly equivalent was about £190.00.

The repayments each month weren't going to be a high proportion of Mrs M's recorded monthly income. So I think proportionate checks for loan 1 would've been to ask Mrs M her monthly income.

Satsuma recorded Mrs M's monthly income as £2,000.00, her monthly housing costs as £200.00 and her monthly repayments on other loans as £100.00. I find it likely that the figures Satsuma recorded had come from Mrs M. So I'm satisfied that Satsuma did proportionate checks.

The credit history available to Satsumas wasn't the same as the credit file available to Mrs M. Satsuma did credit checks and I've seen the results. They say that Mrs M had no outstanding payday loan balances at the time of loan 1. From what Mrs M has told us, I don't think that was correct.

But Satsuma had done proportionate checks. So I won't say that it shouldn't have agreed to the loan.

Loan 1 was still running when Mrs M asked for loan 2. It was going to require repayments spread over 52 weeks. The weekly repayments were going to be about £23.00. The monthly equivalent was about £99.00.

For about 2 months, loans 1 and 2 were both going to require repayments. Together the monthly repayments were going to be about £290.00. So the repayments each month weren't going to be a high proportion of Mrs M's recorded monthly income.

So I think proportionate checks for loan 2 would've been to ask Mrs M her monthly income, her regular monthly financial commitments and normal monthly living costs.

Satsuma recorded Mrs M's monthly income as £2,000.00, her monthly housing costs as £200.00 and her monthly repayments on other loans as £100.00 and her other expenses as £100.00. I find it likely that the figures Satsuma recorded had come from Mrs M. So I'm satisfied that Satsuma did proportionate checks.

The credit history available to Satsumas wasn't the same as the credit file available to Mrs M. Satsuma did credit checks and I've seen the results. They say that Mrs M had no loans from other short-term lenders at the time of loan 2. From what Mrs M has told us, I don't think that was correct. But Satsuma had done proportionate checks. So I won't say that it shouldn't have agreed to the loan.

Mrs M repaid loan 1 on time. And she repaid loan 2 early.

Overall I don't find it fair and reasonable to order Satsuma to refund interest or charges to Mrs M or to remove information from her credit file.

my final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint. I make no order against Provident Personal Credit Limited (trading as Satsuma Loans).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 2 November 2018.

Christopher Gilbert
ombudsman