

complaint

Mr C complains that Provident Personal Credit Limited (trading as Satsuma) did not carry out appropriate affordability and credit checks before lending to him and that the lending adversely affected his credit file.

background

Mr C had three loans from Satsuma between July 2017 and February 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment*</u>	<u>Due</u>	<u>Repaid</u>
1	29 Jul 2017	£500	12m	£83.00	16 Aug 2018	26 Oct 2017 Early
2	5 Dec 2017	£600	9m	£133.20	1 Oct 2018	Two payments Balance O/S
3	15 Feb 2018	£400	9m	£88.80	16 Nov 2018	One payment Balance O/S

* *Monthly repayment over the term of the loan*

Mr C says Satsuma did insufficient checks of his income and expenditure and should have realised from his borrowing pattern that his financial situation was getting worse. He says the high interest rate prevented him from paying priority bills and he had to borrow from other short-term lenders to make the repayments.

Satsuma says it asked Mr C for information about his income and expenditure which showed he had disposable income of between £1,350 and £1,850 per month. It also looked at his credit file and increased his declared expenditure based on the information it showed. It says this indicated the loans were all affordable to Mr C.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Satsuma carried out proportionate checks. She didn't find anything in the available information, or Mr C's borrowing pattern, that should have indicated to Satsuma that Mr C may have been in financial difficulty.

Mr C did not agree and asked for an ombudsman's review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Loan 1

When Mr C applied for his first loan from Satsuma he said his monthly income was £1,500 with expenses of £150. I don't consider this unreasonable given he said he lived with his parents. Satsuma also checked his credit file and adjusted his expenditure up slightly. As the scheduled repayment was a small proportion of Mr C's income, I'm satisfied it did enough checks and would have found the loan to be affordable. So I can't say Satsuma shouldn't have approved loan 1.

Loan 2

Mr C repaid his first loan early and received an early settlement bonus. Six weeks later, he applied for a second loan from Satsuma. This time the monthly repayments were slightly higher, but Mr C said his income was now £1,800 with £350 of expenditure. Again, Satsuma checked his credit file and, despite increasing the expenditure figure by over £500, it still found the repayments were affordable to Mr C. So I can't conclude it was wrong to approve loan 2.

Loan 3

Mr C was still repaying loan 2 when he applied for his third loan. So the total repayment he needed to make each month was over £220. Mr C said his income was now £2,200, giving him a disposable income of £1,850 per month. This time Satsuma increased his expenditure figure by £1,400, but this still made the loan affordable to Mr C.

I can't see there was anything in the information provided, or the information of which Satsuma should have been aware, which meant it would have been proportionate to start verifying what Mr C was saying. So, although I accept Mr C had difficulty repaying both loans 2 and 3, his repayments on loan 2 were up to date when he applied for loan 3. So I don't find Satsuma should have declined his third application at the time.

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 Mr C to accept or reject my decision before 1 September 2019.

Amanda Williams
ombudsman