

complaint

Ms W complains that Provident Personal Credit Limited, trading as Satsuma, gave her loans she couldn't afford to pay back.

background

Between August 2015 and March 2017 Ms W borrowed five times from Satsuma, she repaid all of the loans except the last one which still has a balance outstanding.

loan number	date taken	amount borrowed	repayment terms	monthly repayment amount	date repaid
1	18 August 2015	£250	13 weekly instalments	£116.65	27 November 2015
2	12 October 2015	£450	26 weekly instalments	£143.61	25 November 2015
3	10 December 2015	£450	30 weekly instalments	£129.35	15 July 2016
4	12 March 2016	£300	13 weekly instalments	£143.09	25 March 2016
5	12 March 2017	£500	8 monthly instalments	£125.00	Outstanding

Ms W doesn't think that Satsuma carried out proper checks to see if she could afford the loans before it agreed them. She says that the checks carried out weren't thorough and Satsuma should have seen she was in difficulty and had defaults on her credit file.

Satsuma said it had performed affordability checks and carried out a credit reference agency check for the loans. Ms W was employed and its checks showed she had enough disposable income to make the repayments when they fell due without financial difficulties.

The adjudicator didn't think this complaint should be upheld. She thought that Satsuma's checks didn't go far enough and Satsuma should have done more checking for the loans. But she said better checks wouldn't have made any difference because proportionate checks would have showed that Ms W had enough disposable income to meet the repayments so it wasn't wrong for Satsuma to agree the loans.

Ms W didn't agree. She still thought the loans weren't affordable and she has now entered a debt management plan to repay them. She said that other loans with other companies had been upheld as unaffordable.

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. Before agreeing to lend to Ms W, it had to check that she could afford to make the repayments without it adversely impacting on her financial situation. It had to gather enough information so that it could make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But any checks need to be proportionate and should take into account a number of things, including things such as how much is being lent and when what's being borrowed is due to be repaid.

Ms W was given loans where there was an expectation she'd repay what she'd borrowed plus the interest due over different timescales. As a result, the checks Satsuma carried out had to provide enough for it to be able to understand whether Ms W could afford to make all of those repayments when they fell due.

Satsuma has told us that it asked Ms W each time about her monthly income and normal expenditure before agreeing to lend to her. It relied on the information she gave to it. It also carried out a credit check, which it also used to examine her other credit commitments. But it hasn't provided us with a copy of the credit check that it says it did.

Ms W has given us a copy of her credit report so I've been able to look at this to see what the credit checks Satsuma carried out were likely to have shown. I think its credit check was likely to have shown that Ms W had defaulted on two credit agreements a few months before the request for the first loan. This doesn't automatically mean that Satsuma should not have given Mrs W the loan but I do think it should have done better checks to see if she could afford to repay what she was asking to borrow. Because of this I think Satsuma's checks should have gone further and it should have asked Ms W about any other short term lending she may have had in addition to her normal monthly outgoings.

Ms W said she was earning £3000 and her expenses were £1350. Satsuma says from its review of the credit check it added an additional £1059.06 to Ms W's total outgoings figure. I think it was reasonable for Satsuma to rely on these figures. Ms W's credit report doesn't show any outstanding short term loans so even if Satsuma had carried out a check for this borrowing it was unlikely to have made a difference to the decision to give Mrs W the first loan as Ms W had around £600 in disposable income which allowed for additional expenditure that she hadn't declared. On these figures the monthly repayment is easily affordable.

The position is the same for loans two to four. I think that Satsuma should have taken care to check whether Ms W had other short term lending given her pattern of borrowing and her earlier defaults. Looking at Ms W's credit file for this period there are no outstanding short term loans. Ms W declared her income as £3000 for all of these loans and her outgoings as between £1150 and £1250. Satsuma again added an extra amount to her declared outgoings after reviewing her credit check of between £1353 and £522. So in these circumstances I think better checks were unlikely to have made a difference to the decision to lend.

Ms W applied for loan 5 almost a year after repaying loan 4. I think it was reasonable for Satsuma to think that her financial situation had improved. There had been no difficulties in repaying the previous loans and no additional defaults were recorded on the credit file. Ms W said her income was £3000 and her outgoings were £1050. This left her with £1950 in disposable income. Satsuma reduced this by £522.82 to reflect the results of its credit search. The monthly repayment of £125 appeared affordable against a disposable income of £1427.

I appreciate that Ms W's actual circumstances may not have been accurately reflected in the information she provided to Satsuma and her other financial commitments may have been

higher than she had declared. But Satsuma could only base its decision to lend on the information it had available to it at the time and it didn't have any reason to disbelieve or doubt what Ms W declared given the other information available. So, on balance, I think the checks it did for these loans were proportionate and I don't think Satsuma was wrong to lend to Ms W.

I know that Ms W has referred to other loans provided by other lenders that have been found to be unaffordable. Each lending decision is different and is taken on the information available at the time. I can only deal with the checks that I think Satsuma needed to make and what those checks would have likely revealed. This may be different for another lender at different points in the lending chain.

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 Ms W to accept or reject my decision before 11 March 2019.

Emma Boothroyd
ombudsman