

complaint

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

background

Mr P was given two loans by Satsuma. He first borrowed £150 in November 2014. This loan was scheduled to be repaid in 26 weekly instalments of £9.69 but was repaid early in January 2015. Then, in February 2015, Mr P took another loan. This loan was for £300 and due to be repaid in 52 weekly instalments of £10.96. Mr P repaid his loan in full in January 2016.

Mr P's complaint has been assessed by one of our adjudicators. She thought that the checks Satsuma had done before agreeing each of the loans had been sufficient. And that those checks suggested that Mr P would be able to afford to repay the loans. So she didn't think Satsuma had been wrong to agree to lend to Mr P.

Mr P didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

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, and his lending history, but there was no set list of checks Satsuma had to do.

Satsuma has told us about the checks it did before lending to Mr P. Before each loan it asked him for details of his income, and his normal expenditure. It then compared the information he provided against information it received from a credit check bureau. Where that information suggested a Mr P's expenditure was greater, Satsuma used the higher figure. And Satsuma checked Mr P's credit file before agreeing each loan.

Satsuma has provided us with the results of its credit checks. Firstly I should note that the information an individual might see when they request a copy of their credit file is often quite different to the information a lender receives. The lender's information might be anonymised, or only provide a summary of a consumer's circumstances. And at the time these loans were given not all lenders reported to each of the credit reference agencies so the information reported might be incomplete.

The information that Satsuma received at the time of Mr P's applications didn't show any adverse information such as defaults or county court judgements. And it didn't suggest that Mr P was making much, if any, use of other short term loans. So I don't think there was anything in these credit check results to cause additional concerns to Satsuma about Mr P's ability to afford the loans he was asking for.

The amounts that Mr P asked to borrow were relatively modest compared to the income he declared. And the repayments he needed to make appeared to be easily affordable compared to his disposable income, even allowing for the increases that Satsuma applied to the expenditure that Mr P declared.

I have considered that Mr P missed one of his repayments on his first loan. But he caught that payment up the following week before repaying the loan early. And there was then a gap of more than a month before Mr P asked for his second loan. So I don't think this would have indicated to Satsuma that Mr P's finances were under pressure.

On balance I think that the checks Satsuma did before agreeing each loan were proportionate. These were the first loans that Mr P took from Satsuma. And the amounts he needed to repay appeared to be easily affordable. I appreciate that Mr P says his financial situation at the time was actually much worse. But that wasn't something he declared to Satsuma when he applied for the loans. And I don't think it was something that what I consider to be proportionate checks would have uncovered either.

So I don't think Satsuma was wrong to give these loans to Mr P. As a result I don't uphold his complaint.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 August 2018.

Paul Reilly
ombudsman