

complaint

Miss K complains that Provident Personal Credit Limited (trading as Satsuma Loans) approved a loan that was unaffordable to her.

background

Miss K applied for a £600 loan from Satsuma Loans in July 2016. The loan was approved and was to be repaid in 26 weekly instalments of £44.19. Miss K was up to date with her repayments until October 2016 when she told Satsuma Loans she was having difficulty making payments. It agreed a repayment plan of £73 per month with her, but Miss K says it should never have agreed to the loan as it was unaffordable.

Satsuma Loans said it checked Miss K's income and expenditure, as well as her lending history before agreeing to the loan.

Our adjudicator upheld Miss K's complaint. She said that Satsuma Loans should have carried out more thorough checks of Miss K's expenditure and, had it done so, it would have found her disposable income to be too low to sustain the repayments. She recommended Satsuma Loans should refund the interest and charges on the loan (plus 8% interest) and remove any associated adverse information from her credit file.

Satsuma Loans responded to say, in summary, that it had asked Miss K for her expenditure at the time of the loan application and didn't consider the low figure to be unreasonable given Miss K had indicated she lived with her parents. It added that, nevertheless, its model included a higher figure for Miss K's likely expenditure and her income was sufficiently high for the loan to be approved. Satsuma Loans also said it had seen no evidence of the expenditure Miss K was now quoting. Finally, it clarified that its credit checks showed Miss K had not applied for a payday loan for 54 months prior to her Satsuma application.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss K and to Satsuma Loans on 11 May 2017. I summarise my findings:

- I found Satsuma Loans should've looked into Miss K's expenditure more thoroughly when she applied for the loan as the £220 she declared didn't appear to be realistic.
- When Miss K complained to Satsuma Loans she said her normal month living costs were £870, plus she was spending a further £350 on repaying existing debts.
- However, Miss K told this service her total monthly expenditure was £667 at the time.
- Miss K's bank statements showed her usual monthly expenditure was about £670.
- As this gave Miss K a monthly disposable income of over £400, I found the loan repayments of roughly £200 to be affordable.
- I acknowledged that Miss K's bank statements showed a much higher level of expenditure, but I found almost £1,000 of that was discretionary spend.
- Finally I was satisfied that Satsuma Loans responded positively and sympathetically by agreeing a repayment plan when Miss K told it she was in financial difficulties.

Subject to any further representations by Miss K or Satsuma Loans, my provisional decision was that I did not uphold the complaint.

Neither Miss K, nor Satsuma Loans, submitted any further information.

my findings

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

As neither party sent any additional information, I see no reason to depart from my provisional decision.

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 Miss K to accept or reject my decision before 27 July 2017.

Amanda Williams
ombudsman