

complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent him money without carrying out proper affordability checks.

background

Mr S borrowed £1,000 from Satsuma Loans on 25 March 2017. It was to be repaid with six monthly instalments of £316 each. Mr S says he had multiple short-term loans, gambling issues and a poor credit history when he applied for the loan. He says that if Satsuma Loans had done better checks it would have discovered this and it wouldn't have lent him the money.

Satsuma Loans said it asked Mr S for information about his income and expenditure and checked his credit record. It says that, based on the information it had, the loan was issued in line with its lending policy.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Satsuma Loans did enough checks before approving the loan and, based on the information it had, she found the repayments were affordable. She did not conclude that Satsuma Loans should have declined the loan application.

Mr S responded to say, in summary, that he had numerous short-term loans at the time he applied for this loan. He added that most of these were on repayment plans and he'd also defaulted on two credit cards. Mr S admitted that he'd exaggerated his income and had a gambling issue and that some of his financial problems were the result of a mental health condition.

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 Loans was required to lend responsibly. It should have made checks to make sure Mr S could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr S was borrowing, and his lending history. But there was no set list of checks Satsuma Loans had to do.

When Mr S applied for the loan he told Satsuma Loans that his income was £1,700. As the scheduled monthly repayment, of £316, was a relatively large proportion of this, I'd have expected Satsuma Loans to have asked him about his regular expenditure too. Satsuma Loans did this and Mr S told it his regular expenditure was around £850 per month. Satsuma Loans also checked Mr S's credit record.

I'm satisfied that Satsuma Loans did enough checks at this stage. I say that because this was Mr S's first loan and I can't see the results of the credit check would have given Satsuma Loans any cause for concern. So, based on Mr S's declared disposable income, I find it reasonable that Satsuma Loans would have considered the £316 repayments to be affordable for six months. So I can't conclude that Satsuma Loans was wrong to approve the loan.

I acknowledge Mr S says he had numerous other short-term loans and had exaggerated his income, but I consider Satsuma Loans was entitled to rely on the information Mr S had provided at that stage. I also accept that Mr S had an issue with gambling, but I don't find a full financial review was proportionate for Mr S's first loan. So I can't see that Satsuma Loans should have known about the gambling. Equally, I can see from the information provided by Satsuma Loans that Mr S only told it about his mental health condition in April 2017, after he'd taken out the loan.

In summary, although I sympathise with the situation in which Mr S finds himself, I can't conclude Satsuma Loans did anything wrong when it approved Mr S's loan.

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 S to accept or reject my decision before 15 June 2018.

Amanda Williams
ombudsman