

**complaint**

Mr D complains that Provident Personal Credit Limited (trading as Satsuma Loans) carried out insufficient affordability checks before lending to him.

**background**

Mr D had two loans from Satsuma between February 2017 and June 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Status</u>
1	23 Feb 2017	£1,000	12m	£166	11 Mar 2018	In arrears
2	11 Jun 2017	£500	12m	£83	21 Jun 2018	In arrears

Mr D says he had other short-term loans when borrowing from Satsuma and the repayments were a large proportion of his income. He says if Satsuma had done better checks it would have found the loans were unaffordable and caused his debts to spiral.

Satsuma says each application was assessed for creditworthiness and affordability using Mr D's declared income and expenditure alongside a credit check. It says the checks indicated Mr D had understated his expenditure, but it still found the loans were affordable.

Our adjudicator recommended the complaint should be upheld. He found Mr D had three County Court Judgements on his credit file, of which one was still active. Because of this he didn't think Satsuma's checks went far enough and if it had carried out proportionate checks, it was likely to have seen Mr D was having problems managing his money. Our adjudicator recommended interest and charges should be refunded on both loans (plus 8% statutory interest) and any negative information about the loans should be removed from his credit file.

Satsuma responded to say, in summary, that its customers are typically a higher lending risk because of their low credit scores so are less likely to be able to borrow from mainstream lenders. It says it retrieved detailed information about Mr D's financial circumstances and where figures differed from the expenditure provided by him, it used the higher figure. It said that, even adding in such safeguards, the calculations showed the loans were affordable.

**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.

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

Loan 1

When Mr D applied for his first loan, his credit file showed three County Court Judgements, the most recent of which was in June 2016. I accept what Satsuma says about the typical credit profile of its customers, but I consider it should have carried out a full financial review before approving Mr D for lending. Such a review is likely to have shown Mr D:

- Still had an active CCJ;
- Was already on a debt management plan;
- Had a further six outstanding short-term loans with three other lenders;
- Was spending a considerable amount of money on gambling (£1,600 in January).

So I find Satsuma should not have approved Mr D's first loan as there was clear evidence he was already having trouble managing his money.

### Loan 2

Loan 1 was still outstanding when Mr D applied for loan 2 and his financial situation hadn't improved since February 2017. So Satsuma should have realised that it was unlikely Mr D could sustainably repay an additional loan.

### **my final decision**

My decision is that I uphold this complaint. Provident Personal Credit Limited (trading as Satsuma Loans) should:

- Refund all interest and charges that Mr D paid on the loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Write off any unpaid interest and charges for the loans, apply the refund to reduce any capital outstanding and pay any balance to Mr D;
- Remove any negative information about the loans from Mr D's credit file.

\*HM Revenue & Customs requires Satsuma to take off tax from this interest. Satsuma must give Mr D a certificate showing how much tax it's taken off if he asks for one. If Satsuma intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 November 2019.

Amanda Williams  
**ombudsman**