

complaint

Mr W complains Provident Personal Credit Limited (trading as Satsuma Loans.co.uk) lent him money he couldn't afford to repay. He says it didn't carry out proper checks before lending.

background

Mr W says Satsuma was irresponsible in lending to him. He borrowed £220 from it in June 2015. He says his credit report showed the month before he'd borrowed around £1750 from other lenders. Similarly, he says when Satsuma approved him for other loans, it should have seen more borrowing on his credit file. He wants Satsuma to write off his outstanding balance. And, says it should refund interest and charges on his loans, plus compensation.

Satsuma says it's not a payday lender, it offers loans with an up-front fixed charge. Satsuma says it takes a number of things into account to decide if loans are affordable. It says it considers data which identifies if a customer is a credit risk. In Mr W's case, it says his income and expenditure information was more than sufficient to meet its lending requirements. It says the loan was deemed affordable for him. It hasn't upheld his complaint.

The adjudicator notes Satsuma rejected two of Mr W's applications, as he didn't meet its lending criteria. She says Satsuma's checks showed Mr W had £390 disposable income each month. She thinks the checks were proportionate as Mr W was making monthly or weekly repayments towards the loans, rather than repaying a lump sum. Based on the information Mr W and Satsuma provided, she doesn't think it would have thought he was a credit risk. She's satisfied it carried out reasonable checks. And, hasn't upheld his complaint.

Mr W disagrees. He says the information on his credit file at the time meant Satsuma shouldn't have lent to him. He's asked for an ombudsman to review his complaint.

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 know Mr W strongly feels Satsuma shouldn't have lent to him because at the time he had other loans and a number of defaults. He's provided a copy of his credit report which I've considered in detail. I accept this shows other loans around the time he borrowed from Satsuma as well as defaulted accounts. But, that doesn't automatically mean Satsuma (a) ought to have seen this information and; (b) shouldn't have lent to him.

Satsuma says it used information from two different credit reference agencies when doing its checks. It hasn't been able to say which particular agency gave it the information it considered on when lending to Mr W. I'm satisfied Satsuma wasn't required to consider Mr W's actual credit file. It was reasonably entitled to rely on information it received about the status of his credit file at the time. I've seen its records show it received information about Mr W's lending history in the six months leading up to his loans. This took into account a number of factors, including how many payday loans he'd taken, and any defaults. I think the checks were suitable in Mr W's case.

I accept the information on Satsuma's records doesn't match what's showing on Mr W's credit file. And I can see why he'd be concerned about that. Unfortunately, there's no way of knowing when this information was recorded. It's also possible that Satsuma used information from another credit reference agency to make its decision – and not the one which provided this report. In any event, I'm satisfied Satsuma was reasonably entitled to rely on the information that was reported to it at the time as true and accurate, even if this later transpired not to be the case. And, from what I've seen, I don't think it was unreasonable to lend to Mr W.

The loans Satsuma gave Mr W were instalment loans. So, it approved him to borrow between £200 to £300 which he'd repay over around 13 weeks. As a result, its checks had to consider if Mr W could afford to repay £20 to £30 per week over the course of the loans. I've seen Satsuma considered Mr W's income and expenditure. This showed he had £390 disposable income. I don't think it was unreasonable for it to conclude the loans were affordable based on this. And, I'm satisfied the checks were proportionate for the amount of lending.

From what I've seen, Mr W applied to borrow from Satsuma in March and October 2015, but it rejected those two applications. This suggests to me that it considered whether it should lend to Mr W – and if he could afford the loans he was asking for. I note Mr W was able to repay his first two loans early. This suggests those loans were affordable. I appreciate he fell into difficulty repaying the last loan. But, I can only hold Satsuma responsible if I'm satisfied it did something wrong. And, based on what I've seen, I don't think it did.

Taking all things into account, I'm not persuaded Satsuma shouldn't have lent to Mr W. And, I don't uphold his complaint.

my final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 August 2016.

Loucia Kyprianou
ombudsman