

complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma) was irresponsible to lend money to him. He also complains about Satsuma's actions after he told it he was in financial difficulty.

background

I sent a provisional decision to Mr S and Satsuma in March 2017. I've attached an extract of this and it forms part of my final decision.

I asked Mr S and Satsuma if they wanted to send me any additional comments or evidence before I made a final decision.

Mr S accepted my findings.

Satsuma didn't send me anything new to consider.

So I've moved the complaint on to a final decision.

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 Mr S has accepted my findings and Satsuma didn't have anything new to say, I see no reason to change to what I said in my provisional decision. So I still think Mr S's complaint should be upheld in part and for the same reasons.

my final decision

My final decision is that I uphold Mr S's complaint in part. To put things right Provident Personal Credit Limited should:

- refund any interest and charges Mr S has paid on the loan taken on 4 June 2016;
- add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement *;
- deduct any capital amount still due from the total refund and pay the balance to Mr S if there is one;
- remove any adverse information recorded on Mr S's credit file in relation to the loans I am asking to be refunded.

*HM Revenue & Customs requires Provident Personal Credit Limited to take off tax from this interest. Provident Personal Credit Limited must give Mr S a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 May 2017.

Michael Ball
ombudsman

extract of provisional decision

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

Satsuma was required to lend responsibly. It needed to make checks to see whether Mr S could afford to pay back the loan each time 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 that Satsuma had to do.

Satsuma says it asked Mr S about his income and expenditure and did a credit check before lending to him each time. It's given us evidence of what Mr S told it and the results of the credit checks.

The first loan Mr S asked for was £500 to be repaid over 38 weekly instalments. With interest Satsuma says this worked out at around £97.50 per month. Satsuma's records show that Mr S said he earned £2,300 per month and his housing costs, loan repayments and other monthly outgoings were £900. The results of Satsuma's credit check show no defaults, missed payments or anything else that I think would've been concerning to it at this stage.

I think these checks were enough for Satsuma to make a reasonable assessment of affordability. The amount Mr S had to pay back each month was quite small compared to his income, it was the first time he'd borrowed from Satsuma and there was nothing to suggest the information he gave it was inaccurate. This information showed that Mr S had enough left over each month to make the loan repayment. So I don't think Satsuma was wrong to lend on this occasion.

Mr S asked for his second loan around ten months later – one month after he paid off the first loan. He said his income was £1,900 this time and said his monthly expenses were still £900. The credit check results show no defaults or late payments on other accounts and show that Mr S had not taken a new payday loan in five months. It's worth keeping in mind at this point that not all payday and short term lenders reported to the same credit reference agencies – if at all sometimes. So while Mr S may have taken other payday or short term loans within this period, I can't say they should've been identified by Satsuma's credit check.

The repayments on this loan were smaller than the first and it had been quite a while since Mr S had asked to borrow from Satsuma. So I don't think there was anything to suggest that Satsuma should've been getting more information than it did from Mr S at this point. Again, I think what it asked Mr S was enough to make a reasonable assessment of affordability for this particular loan.

The third loan was taken out around five months later, just as Mr S was finishing off repayment of the second loan. The gap between loan applications was smaller this time and it looks like Mr S had to repay both loans simultaneously for a short while. It may have been of some concern to Satsuma that Mr S needed to borrow again before he'd paid off his previous loan. But Mr S told Satsuma that he had around £775 left over each month after his normal monthly living expenses. And the credit check results don't show anything overly concerning. So I think Satsuma was still entitled to rely on the information Mr S was giving it – which again showed the loan repayments were affordable.

I recognise that the reality of Mr S's situation was quite different. But that would only have become apparent with a full understanding of his circumstances. And I don't think Satsuma's affordability checks up to this point needed to go into that kind of detail given the size of the repayments on each loan compared to his income, his loan and payment history, and the information it did gather from him.

Mr S paid off the third loan around a month after he took it out. He's said a parent called Satsuma to do this and asked it to close his account and stop lending to him so it shouldn't have agreed to the fourth loan so soon after. Satsuma has said that it didn't have authority to take this kind of instruction from the parent.

I've listened to a recording of the call and thought about what should've happened after it. I don't think this kind of request was enough on its own to suggest outright that Satsuma should've stopped lending. But what it should've led to is some more detailed affordability checks if Mr S asked to borrow again. Satsuma should've been thinking why Mr S's parent had to pay off the loan for him and perhaps why they'd asked Satsuma to stop lending money to him. And it should've been thinking whether the information it was getting from him about his expenses was enough anymore in light of this.

Mr S did indeed return to borrow again, and within a short period of time. This time the repayments on the loan were quite a bit smaller than any of his previous loans – approximately £47 per month. Nevertheless, in view of what I said above I think Satsuma should've got some more information from Mr S to make sure this was affordable. At the very least I think it should've asked him about his other short term commitments in addition to the information it did get from him. I recognise that Satsuma did a credit check looking specifically at payday loans. But as I've said above, these checks don't always give the full picture. And they are unlikely to show very recent loans as they simply wouldn't have been recorded with the credit reference agencies in time.

If Satsuma had got this kind of information it would've seen that Mr S had to repay at least £450 to other payday and short term lenders from his June pay. Satsuma recorded that he had monthly disposable income of £377.29. So there wasn't enough to repay the loan however small it might have been without having to borrow again the following month. I don't think Satsuma should've agreed to lend to Mr S on this occasion.

Satsuma should refund all interest and charges on this loan and remove any adverse information about it from Mr S's credit file. Mr S had the benefit of the capital he borrowed so it's only fair he pays it back. Satsuma can deduct any capital sum still outstanding from the total refund.

I've thought about all of the service issues that Mr S encountered with Satsuma. But I think overall the £100 it's already offered Mr S is fair compensation for those issues – regardless of what specific issues that offer did or did not intend to cover – and I don't think it needs to do anything else in this respect.

Mr S has said the interest on the last loan is more than 100% of the amount he borrowed. But I've looked at the statement of account for that loan and the total charges were £296.96 on a capital sum of £300. So I can't say that Satsuma breached any regulations regarding loan charges in place at the time.