

complaint

Miss R complains that Provident Personal Credit Limited (trading as Satsuma Loans) provided her with unaffordable instalment loans. She wants a refund of the interest and charges she paid, with interest, and for her credit file to be amended.

background

Miss R had two loans from Satsuma in 2017. She said she was borrowing from other lenders to repay previous loans. And she thought proper checks would have shown the extent of her borrowing, her late payments and defaults. Satsuma said it had carried out affordability checks that showed that Miss R could afford both loans.

Our adjudicator didn't recommend that the complaint should be upheld. He thought Satsuma's affordability checks had gone far enough for loan one and from these the loan looked affordable. He thought Satsuma should have made better checks for loan two. But he couldn't verify what these would have shown. So he thought that from the information Miss R provided to Satsuma, the loan looked affordable. And so he couldn't say Satsuma had been wrong to provide the loans.

Miss R asked for her complaint to be reviewed, so it's come to me for 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.

Miss R's loans were to be repaid in monthly instalments. Her first loan was for £100 and was to be repaid in three instalments of £49.20. Miss R repaid this and then two months later she borrowed £700 to be repaid in six instalments of £221.20. From what I can see, Miss R has yet to repay this loan.

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

Satsuma said it asked Miss R for her monthly income and her outgoings for her rent, other loans and other expenses for each loan. Miss R said she earned £1,900 for loan one and £2,350 for loan two. She said her expenses totalled £1,100 for loan one and £1,200 for loan two.

Satsuma also made credit checks which showed that Miss R had other short-term loan commitments when she asked it for both loans. These totalled £450 for loan one and £650 for loan two. I can't see that any defaults were found. Between the two loans, Satsuma verified Miss R's income from a payslip. This was £1,700.

I agree with the adjudicator that these checks went far enough for loan one. This is because it was Miss R's first loan. The repayments looked affordable compared to her stated disposable income and allowing for the information Satsuma had found on its credit checks. So I think it was reasonable for Satsuma to approve this loan.

Loan two was for a larger amount over a longer period. The instalments were higher. So I think Satsuma's should have looked at Miss R's income and her outgoings for her normal living costs and regular bills to assess affordability. I can see that it did this. But it also had further information to consider. Miss R's other short-term borrowing had increased and she had £650 outstanding. And Miss R's stated income had increased substantially and was much more than it had verified from her payslip two months earlier.

I agree with the adjudicator that this should have prompted Satsuma to again verify Miss R's income. Miss R provided us with some bank statements that showed that her income varied. The adjudicator asked her for evidence of her income at the time Satsuma approved her loan. But she hasn't provided this for me to consider. So I can't say what Satsuma would have seen if it had verified Miss R's income for loan two.

And so I've had to rely on the information Miss R provided to Satsuma. From this her repayments looked affordable compared to her stated disposable income and allowing for her other short-term loan commitments. So I can't reasonably say that it was wrong for Satsuma to approve loan two. Nor can I require it to pay Miss R any refunds or amend her credit record.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 25 October 2018.

Phillip Berechree
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