

complaint

Mrs M complains that Provident Personal Credit Limited (trading as Satsuma) gave her loans that she couldn't afford to repay. Mrs M is represented by a claims management business.

background

Mrs M took out six loans with Satsuma between May 2016 and September 2017. Her representative says Satsuma didn't carry out affordability checks. The adjudicator didn't recommend that the complaint should be upheld, saying:

- Satsuma asked about Mrs M's income and expenditure and did a credit check before each loan. These checks were proportionate for the first four loans, given the amount of the repayments. The information Satsuma received suggested the loans were affordable.
- The fifth and sixth loans were for larger amounts and the monthly repayments were also larger. And Mrs M had been repaying loans to Satsuma for over a year. Satsuma should have asked for more information about Mrs M's financial circumstances and verified the information it received. But Mrs M's representative hadn't provided bank statements or other evidence of Mrs M's circumstances when she took out the loans. The adjudicator said without this information he couldn't assess whether the loans were affordable.

Mrs M didn't agree.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loans 1 to 4 (May 2016 to December 2016)

Mrs M took out the first loan, of £200, in May 2016. This required 13 weekly repayments of £22 (about £88 per month). Mrs M told Satsuma her monthly income was £1,600 and her expenditure (on housing, monthly loan repayments and other) was £360. Satsuma says its credit check showed Mrs M's income as between £1,100 and £1,600 during the period she borrowed from it. It said its credit check suggested Mrs M hadn't taken out any short term loans in the previous eight months.

Mrs M took out three more loans in 2016, for amounts between £100 and £300. These loans were also repayable in instalments. Previous loans were still being repaid when the next loan was taken out. The highest amount of combined instalments Mrs M had to pay in one month was about £135. Mrs M told Satsuma her monthly income was £1,200 and her expenditure was £330.

I think Satsuma's checks were proportionate for the first four loans, given Mrs M's stated income and the amount of the repayments. The information it received suggested the loans were affordable.

Loans 5 and 6 (June and September 2017)

Mrs M took out her fifth loan, of £1,000, with Satsuma in June 2017. The loan was repayable in monthly instalments of £166. Mrs M was still repaying loan 4 and the combined instalments were about £216. She repaid loans 4 and 5 in July 2017. Mrs M took out the sixth loan, of £1,300, in September 2017. This loan was repayable in monthly instalments of about £216.

I think, given the increase in the amounts borrowed, the amounts of the instalments, Mrs M's stated income and that she'd been borrowing from Satsuma for over a year without a break, Satsuma should have made further checks. I don't think, at this point, it was enough for it to rely on Mrs M's answers to its standard application questions. I think it should have asked for information to gain a full understanding of her financial circumstances.

Mrs M's representative hasn't provided bank statements or other evidence of Mrs M's financial circumstances when she took out these loans. So I can't assess whether the loans were affordable.

I think Satsuma should have made more checks before giving the fifth and sixth loans to Mrs M. But without further information about her circumstances at the time I can't fairly conclude that, had it done so, it would have decided that the loans weren't affordable.

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 Mrs M to accept or reject my decision before 19 January 2018.

Ruth Stevenson
ombudsman