

## **complaint**

Mr A complains that Provident Personal Credit Limited trading as Satsuma wrongly lent him money he couldn't afford to pay back.

## **background**

Mr A said that the business didn't carry out proper affordability checks and allowed him to borrow when he was in financial difficulty. He says that this has led to a spiral of debt and he has had to take out more and more loans. Satsuma said that the loans were affordable on its criteria and the checks it did were proportionate and didn't show the loans were affordable.

Our adjudicator recommended that the complaint should be upheld. She thought that Satsuma should've carried out more checks to see if Mr A could afford to repay what he was borrowing. She thought that looking at Mr A's credit file there was significant payday lending and other credit commitments. She thought this should have alerted Satsuma that Mr A was in difficulty and was unable to meet his credit commitments. She said that on the figures provided to Satsuma it was clear that Mr A had no disposable income to repay the credit. Satsuma didn't reply and so the complaint has been passed to me.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I have reached the same conclusions as the adjudicator for the same reasons.

Mr A asked for a loan on 4 April 2014 for £300. It was repaid in October 2014. In December Mr A asked for another loan of £600. I can't see that the affordability checks were properly taken into account by Satsuma when approving these loans to Mr A. Although it wasn't a requirement I would have expected the business to ask Mr A whether he had enough money coming in to meet the repayments.

The search of Mr A's credit file revealed the significant number of payday loans he had taken out. Although not itself a bar to credit this should have prompted further enquiries. Satsuma should have been able to see that Mr A was relying on short term lending to meet his credit commitments. Mr A's credit file also showed that he was overly reliant on credit cards and these were all at or near the limit. The information from the credit reference agency that I have seen for the second loan shows that Mr A had more money going out on his credit than he had said and he had no disposable income. In cases such as this it's not responsible to provide further credit without more detailed consideration.

Although Mr A took out the loans and provided information to get them I don't think that this is enough for me to say Satsuma acted responsibly. Mr A wanted and needed the loans because of the spiral of debt he was in. As far as I can tell Satsuma didn't take into account what Mr A's outgoings were and didn't properly check his credit file.

Satsuma should've suspected that Mr A was reliant on short term borrowing and struggling financially from the outset. Looking at Mr A's other payday lending I think it is clear that Mr A was relying on short term loans to meet his everyday needs.

Even though Mr A paid off the loans in full and on time, I don't think this is enough to say that the loans were affordable. Mr A was taking out other loans with other lenders at the same time. I think that this clearly suggests that the loans were unaffordable. Lending Mr A money in these circumstances without carrying out more robust checking was irresponsible.

Mr A has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that all interest or charges incurred on the loans should be refunded and all information recorded on Mr A's credit file about these loans should be removed.

### **my final decision**

My final decision is that I uphold this complaint. In full and final settlement of it Provident Personal Credit Limited should do the following:

1. Refund any interest and/or charges applied to the loans taken out together with 8% simple interest per year from the time that the interest and charges were paid to the time Mr A gets it back.
2. Remove all information recorded on Mr A's credit file about these loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 29 July 2016.

Emma Boothroyd  
**ombudsman**