

complaint

Mr G complains that Provident Personal Credit Limited, trading as Satsuma, gave him loans he couldn't afford to pay back.

background

Between January and August 2017 Mr G borrowed four times from Satsuma, but he withdrew from the first two loans, as follows:

loan number	date taken	amount borrowed	repayment terms	repayment amount	date repaid
1	21 January 2017	£300	3 instalments	£147.60	not taken
2	14 June 2017	£150	3 instalments	£73.80	not taken
3	29 June 2017	£1,000	12 instalments	£166.00	active
4	18 August 2017	£100	12 instalments	£16.60	active

Mr G doesn't think that Satsuma carried out proper checks to see if he could afford the loans before it agreed them. He says that the huge interest payments weren't manageable and he was borrowing from other short term lenders at the time, so was becoming reliant on the loans.

Satsuma said it had performed affordability checks and carried out a credit reference agency check for the loans. Mr G was employed and its checks showed he had enough disposable income to make the repayments when they fell due without financial difficulties.

The adjudicator didn't think this complaint should be upheld. He thought that the checks Satsuma did went far enough. These showed that Mr G had enough disposable income to meet the repayments so it wasn't wrong for Satsuma to agree the loans.

Mr G didn't agree. He still thought the loans weren't affordable and he has now entered a debt management plan to repay them.

my findings

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. Before agreeing to lend to Mr G, it had to check that he could afford to make the repayments without it adversely impacting on his financial situation. It had to gather enough information so that it could make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But any checks need to be proportionate and should take into account a number of things, including things such as how much is being lent and when what's being borrowed is due to be repaid.

Mr G was given loans where there was an expectation he'd repay what he'd borrowed plus the interest due over different timescales. As a result, the checks Satsuma carried out had to

provide enough for it to be able to understand whether Mr G could afford to make all of those repayments when they fell due.

Satsuma has told us that it asked Mr G each time about his monthly income and normal expenditure before agreeing to lend to him. It relied on the information he gave to it. It also carried out a credit check, which it also used to examine his other credit commitments. But it hasn't provided us with a copy of the credit check that it says it did.

Mr G has given us a copy of his credit report so I've been able to look at this to see what the credit checks Satsuma carried out were likely to have shown. I think its credit check was likely to have shown that Mr G had defaulted on a number of credit agreements. But the last default had been some 30 months earlier. Given the time that had passed, I think it was reasonable for Satsuma to have concluded that any financial problems Mr G had previously been facing had now been resolved.

For the avoidance of doubt, I haven't investigated the first two loans because Mr G decided to withdraw from them.

When Mr G asked for the third loan in June 2018 Satsuma told us that it asked about his monthly income, normal living expenses and any other regular financial commitments. It has recorded his income as £1,780, his normal living costs as £625 and repayments towards loans as £100. So Mr G's declared disposable income was more than £1,000 per month. As the Satsuma loan repayments were £166 per month, for this loan I think the checks Satsuma did went far enough and the loan appeared affordable.

Mr G asked to borrow again just six weeks later and whilst he was still repaying loan three. Mr G's income and normal living costs remained the same as loan three, but he told Satsuma that he had to meet other loan repayments of £320 per month. His declared disposable income was over £800 and with the monthly repayments to loan three and four totalling £182.60 per month I think the loan was affordable.

I appreciate that Mr G's actual circumstances may not have been accurately reflected in the information he provided to Satsuma and his other financial commitments may have been higher than he had declared. But Satsuma could only base its decision to lend on the information it had available to it at the time and it didn't have any reason to disbelieve or doubt what Mr G declared. So, on balance, I think the checks it did for these loans were proportionate and I don't think Satsuma was wrong to lend to Mr G.

advice

Mr G has said that Satsuma didn't provide help or tell him about any other ways he could deal with his financial situation. But I don't consider that he asked for any help until he told Satsuma that he was experiencing difficulties towards the end of December 2017. At this time, he also told it that he was seeking advice from Step Change. And I find Satsuma did give Mr G details about Step Change and the Money Advice Service, both of which could offer free and independent advice for serious debt problems. I don't think it needed to do any more than this.

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 Mr G to accept or reject my decision before 24 September 2018.

Karen Wharton
ombudsman