

complaint

Mr C complains that Provident Personal Credit Limited (trading as Satsuma Loans) has treated him unfairly because it didn't properly check whether he could afford loans he took out with it. He wants the interest (and charges) he's paid to be refunded.

background

Mr C borrowed money from Satsuma between late 2014 and early 2015. He did so through four loans. Mr C also borrowed money from a number of other lenders – almost always (but not exclusively) on a short-term basis. These are often referred to as 'payday' loans.

Later in 2015, Mr C complained to Satsuma. He said it shouldn't have lent him money. Mr C said there was no way he could afford to repay the loans. Satsuma clearly hadn't checked his financial position properly. This was supported by the fact he'd had to get help in managing his debts early in 2015.

Satsuma didn't agree it'd done anything wrong. In summary, Satsuma said its affordability assessment was in line with that required by the regulator, the Financial Conduct Authority. And Mr C had also passed Satsuma's own lending criteria. Mr C wasn't happy with Satsuma's response, so he contacted us.

One of our adjudicators looked into Mr C's complaint. She thought Satsuma hadn't properly checked whether Mr C could afford to repay the money he'd borrowed. It was clear Mr C had borrowed a lot of money (including the four loans from Satsuma). She thought Satsuma should have carried out further checks – including possibly looking at Mr C's bank statements – before allowing him to borrow the money.

So the adjudicator recommended Satsuma refund all the interest (and charges) on the loans. She also said Satsuma should pay Mr C interest on the amount refunded and remove all information about the loans from his credit file.

Satsuma didn't agree with the adjudicator's view. So Mr C's complaint has been passed to an ombudsman to review and issue a final decision on.

It pointed out it had rejected two loan applications from Mr C. Satsuma also noted Mr C had taken out further (short-term) loans after he'd started getting help managing his debts. And the arrangement he'd entered into wasn't recorded at the times Mr C had applied for the four loans.

Satsuma explained the checks it'd carried out before lending Mr C any money and pointed to his track record of repaying the loans in full and on time (if not early). It also said it wasn't required to look at Mr C's bank statements; rather it had to rely on information provided and whether the applications met its own lending criteria. But Satsuma had carried out an analysis of Mr C's bank statements. This showed other transactions suggesting Mr C was getting help from his family, which would have obscured the true position anyway.

my findings

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

I issued a provisional decision on this case in March 2016.

my provisional findings and decision

I didn't think it'd be fair to make Satsuma refund all the interest and charges Mr C had paid on loans he took out. But there might be a case for refunding those applied to the last loan.

I accepted what Mr C said about his overall financial situation. Clearly it wasn't good. But it didn't follow that Satsuma shouldn't have lent to him. Had it not done so, it may be that his position would have been even worse.

And it's quite possible other lenders shouldn't have given Mr C short-term lending (or credit). Each case has to be considered on its own merits and the particular circumstances.

Here, I didn't think Satsuma needed to do any more in the way of checks – bearing in mind the amount Mr C was borrowing. If he'd been asking for significantly larger loans, I might have expected Satsuma to carry out checks over and above those it did (and were necessary in order to meet its lending decisions). But here the amounts were generally low, with the highest loan being for £300. Indeed the second and third loans were half the amount of the first one. And all the loans were repaid on time (or early).

But I thought the information available to Satsuma when Mr C applied for the last of the loans in April 2015 might have triggered further checks. In the period between this and the third loan (February 2015), Mr C's borrowing from payday lenders seemed to increase significantly. The amounts he was borrowing were (generally) much higher than before. That would have been clear from any credit check Satsuma might have carried out.

That didn't necessarily mean Mr C would have failed to meet Satsuma's lending criteria. But I thought the information I'd expect Satsuma to be aware of at the time of the fourth loan would have been a trigger point for further checks.

So, I was minded to say Satsuma should refund interest (and charges) applied to this last loan only. But, given that Mr C was borrowing money – rather than forgoing the use of money he had – I didn't think it'd be right to make Satsuma pay interest on the amount refunded. I thought that struck the right balance of responsibility here.

And I didn't think there was any need to remove information about the loans from Mr C's credit file. This should reflect his record in applying for and repaying any loans. Here, all the loans were repaid. So they should be recorded as such.

responses to my provisional decision

Mr C accepted my provisional decision. He accepted that Satsuma could use any part of the award to reduce monies he may still owe. Any balance should be paid to his bank account.

Satsuma didn't respond. So all I need do is confirm the action it should now take.

my final decision

For the reasons I've given, my final decision is that Provident Personal Credit Limited (trading as Satsuma Loans) should refund interest and charges on the last loan it gave Mr C.

Provident Personal Credit Limited (trading as Satsuma Loans) may use part or all of the refund to reduce any debt Mr C has and set out its calculation for this clearly to him. Any balance should be paid direct to Mr C (he has provided his bank details to our adjudicator).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 May 2016.

Andrew Davies
ombudsman