

complaint

Mr D complains that Provident Personal Credit Limited (trading as Satsuma Loans) sold him two instalment loans he couldn't afford.

background

In April and December 2014, Mr D borrowed £300 and £600 from Satsuma Loans. These were to be repaid in weekly instalments over 13 weeks and 52 weeks respectively. The first loan was settled early, but the second loan fell into arrears. Mr D says that he should not have been sold either loan, because he was in financial difficulties. He had a poor credit score (less than 400) and had some defaults. He had taken out a number of payday loans, and was trying to raise money to repay them by gambling.

Satsuma Loans did not agree that it had done anything wrong. Mr D had declared income and expenditure which left him with a disposable income of £600 a month, so the loans should have been affordable. He had not told it about his financial troubles until after he borrowed the money. He had settled the first loan early, and it was entitled to take this history into account when it sold him the second loan. It had checked his credit report, and he had had no court judgements against him, or any individual voluntary agreements. So Mr D complained to our service.

Our adjudicator did not uphold this complaint. He noted that while Mr D's credit file showed some defaults, it also showed some positive signs, as Mr D had repaid other debts. That indicated that Mr D was able to manage his borrowing. So he thought that Satsuma Loans was entitled to judge for itself whether to risk lending its money or not. Mr D asked for an ombudsman's decision. He repeated that his financial circumstances should have indicated that he could not afford the loans. So I have looked into this complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I was sorry to read about Mr D's financial and health problems. He has clearly been through a lot. But I have to decide whether Satsuma Loans has done anything wrong based on what it knew or should have known when it lent to him.

I can see that Mr D's credit file shows that he has had problems with repaying debts in the past. There were four defaults recorded between January and November 2014, for example. But I can also see that he kept on top of some other debts and made his repayments on time. Short-term lenders often lend to people with poor credit scores, and ultimately it is up to them to decide whether to risk lending to such people, provided that they take reasonable steps to ensure that the loans are affordable. On balance, I think that Satsuma Loans was entitled to lend both loans. I don't think that the credit file is so bad that it was unreasonable to do so.

Mr D told Satsuma Loans that he was in full-time employment and earning £1,950 a month. His outgoings came to £1,350. That left him with a disposable income of £600. He was to repay the April loan in weekly payments which came to around £130 a month. Satsuma Loans was entitled to rely on what Mr D told it, and that information suggested that he could afford the repayments. When he settled the loan early, it was entitled to take this into

account as a point in his favour when it decided to lend to him again in December. He had to repay that loan at £21 a week. That's a lower weekly rate than the first loan had.

Mr D also applied to Satsuma Loans for two other loans, in May and August 2014, and was turned down. That suggests to me that Satsuma Loans was careful to evaluate whether Mr D could afford to borrow, instead of just lending to him indiscriminately.

So I don't think Satsuma Loans lent to Mr D irresponsibly.

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 Mr D to accept or reject my decision before 12 August 2016.

Richard Wood
ombudsman