

complaint

Mr D complains that Provident Personal Credit Limited (trading as Satsuma Loans) made short-term loans to him when it shouldn't have.

background

In 2015 Satsuma made a loan to Mr D. In 2016 it made three more. Mr D later complained that the lender hadn't done enough checks that he could afford repayment.

Our adjudicator didn't recommend that the complaint should be upheld. She thought that Satsuma did proportionate checks on the loans. She didn't think Satsuma did anything wrong in giving Mr D the loans.

Mr D disagrees with the adjudicator's opinion. He says, in summary, that he had loans from other short-term lenders. Satsuma didn't ask for enough evidence to verify his income and expenditure, Mr D says.

my findings

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

A financial business can make commercial decisions about whom to lend to and how much. But before agreeing to lend, the business has to check each time that the borrower can afford to make the repayments.

The checks it does must be proportionate. There's no set list of proportionate checks. What's proportionate for each loan depends on things like – but not limited to – the size of the loan repayments and the information the lender has about the borrower (including its history of lending to him).

We keep in mind that each borrower can obtain his own credit report with much more information than the credit report available to a lender.

If we're satisfied the checks were proportionate then we won't make any order in relation to that loan. If we don't think the checks were proportionate then we'll usually order the business to refund interest on the loan.

From its records and his bank statements, I think the Satsuma loans to Mr D (repayable by weekly instalments) were as follows:

Loan	date of loan	amount of loan (£)	repayments due (£ x weeks)	date loan repaid
1	13.03.15	1,000	46.15 x 39	09.05.15
2	19.02.16	2,000	76.54 x 52	28.05.16
3	27.06.16	2,000	220.15 x 13	05.10.16
4	05.10.16	2,000	76.54 x 52	31.03.17

Before each loan, Satsuma recorded Mr D's monthly income as around £5,000 and his monthly expenditure (including other loan repayments) as around £2,200. I find it more likely than not that those figures came from Mr D.

Loan 1 was going to require repayments of about £46 per week (about £200 per month). That didn't look unaffordable on the figures Satsuma had. So I'm satisfied that it did enough checks by asking Mr D about his income and expenditure.

Mr D repaid loan 1 early. And there was a gap of about nine months before Mr D asked to borrow from Satsuma again. So I think Satsuma was entitled to approach loan 2 as though it were lending to Mr D for the first time.

Loan 2 was going to require repayments of about £76 per week (about £300 per month). That didn't look unaffordable on the figures Satsuma had. So I'm satisfied that it did enough checks by asking Mr D about his income and expenditure. Mr D repaid loan 2 early.

Loan 3 was going to require repayments of about £220 per week (about £900 per month). So I think that – at that stage – proportionate checks should've included not only asking Mr D about his income, normal living costs and regular financial commitments but also about his short-term financial commitments.

Satsuma later agreed in its final response letter to refund interest on loan 3. That's what I would've ordered if I'd found that Satsuma hadn't done enough checks and Mr D couldn't afford repayment. So I don't need to comment further on loan 3, save to say that Mr D repaid it on time.

After repaying loan 3, Mr D immediately took out loan 4. Loan 4 was for the same amount but with repayments spread over a much longer time. So I think that proportionate checks should've again included not only asking Mr D about his income, normal monthly living costs and regular financial commitments, but also about his short-term financial commitments.

I don't think loan 4 had reached the point where proportionate checks would've included enough checks to get a full picture of Mr D's financial circumstances.

Satsuma has shown us that – before loan 4 - it recorded a figure of £1,600 for Mr D's monthly loan repayments and a figure of £280 for other monthly outgoings. I find it likely that these figures came from Mr D.

And Satsuma has shown us the results of its credit checks. These said that Mr D hadn't opened a payday loan account for 21 months – and had none outstanding. Mr D has shown us evidence that, in fact, he had many other short-term loans – both payday loans and instalment loans.

But, on balance, I'm satisfied that – by the information it asked for from Mr D and the credit reference agency - Satsuma did proportionate checks before its loan 4.

Therefore I don't find it fair and reasonable to order Satsuma to make any further refund of interest to Mr D – or to do anything further in response to this complaint.

my final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint. I make no order against Provident Personal Credit Limited (trading as Satsuma Loans).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 12 February 2018.

Christopher Gilbert
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