

complaint

Miss P complains that Provident Personal Credit Limited (trading as Satsuma) gave her loans that she couldn't afford to repay.

background

Miss P was given three loans by Satsuma in March 2014, August 2014 and March 2015. The loans were for £300, £500 and £800 respectively. The first loan was repayable in 26 weekly instalments; the second and third loans in 39 weekly instalments. Miss P repaid her first two loans in full, but a balance remained outstanding on her final loan.

When Miss P complained to Satsuma it agreed that it shouldn't have given her the second loan. So it refunded all the interest and charges she'd paid, and added some additional interest to these. It used some of this compensation to repay Miss P's final loan and refunded the remaining balance to her. But Satsuma didn't agree that it had done anything wrong in giving the other two loans to Miss P.

Miss P accepted Satsuma's offer in relation to the second loan. But she still thought that she shouldn't have been given the first and third loans. So she brought her complaint about those loans to this Service.

Miss P's complaint has been assessed by one of our adjudicators. She thought that the checks Satsuma had done on the first loan had been sufficient. She thought that Satsuma should have done some more checks before giving Miss P the third loan. But she thought that better checks would still have suggested that Miss P could afford her repayments on that loan. So she didn't think Satsuma had done anything wrong when it agreed to give Miss P the first or third loan.

Miss P didn't agree with that assessment. So she has asked, as she is perfectly entitled to, that the complaint be decided by an ombudsman.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Satsuma was required to lend responsibly. It needed to make checks to see whether Miss P could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Miss P was borrowing, and her lending history, but there was no set list of checks Satsuma had to do.

Satsuma has told us about the checks it did before lending to Miss P. It checked her credit file before giving her each loan. And it asked Miss P for details of her normal income, and expenditure. When she asked for her first loan Miss P told Satsuma that she was earning just over £2,000 per month. And she said her expenditure was around £650 each month. So Satsuma calculated that Miss P had just under £1,400 left over each month that she could use to make her repayments. At the time of her third loan, Miss P's expenditure had increased slightly. So by then she said she had just under £1,350 left over each month.

Miss P needed to repay just under £20 each week on her first loan. So that would have seemed easily affordable based on what she'd told Satsuma about her disposable income. But Miss P's credit file showed that she owed over £2,000 to other short term lenders. I think Satsuma should have been concerned about this other debt. I think Satsuma might have asked Miss P some more questions about what the credit check showed.

I don't know whether Satsuma did ask Miss P any more questions. But the credit check also showed that Miss P hadn't taken any short term loans for around 12 months. So that would have suggested that the debt wasn't particularly current. And that was the case – it comprised two defaulted loans that Miss P wasn't making significant payments on. So even if Satsuma had asked Miss P about that additional debt, I think it would have been satisfied that it didn't affect her ability to afford her repayments on this loan.

On balance I don't think Satsuma did anything wrong when it gave this loan to Miss P.

When Miss P asked for her third loan, she still hadn't fully repaid her second. She had around five repayments left to make. So when I've looked at the checks I think it would have been proportionate for Satsuma to do here, and whether the loan was affordable, I've considered her total repayments across both loans 2 and 3.

The combined repayment that Miss P needed to make across both loans was just under £60 per week. So that would equate to around £250 per month. I think that would have still appeared affordable based on the disposable income Miss P had declared to Satsuma. And I think, having considered its overall relationship with Miss P, that it was reasonable for Satsuma to continue to rely on the information Miss P was providing.

I have also considered the results of the credit check that Satsuma received at that time. These showed that the outstanding payday loan balance that Miss P held had reduced significantly since her first loan – it now stood at £300. And it also showed that Miss P hadn't taken any short term loans from other lenders since her first loan. So I think that would also have reassured Satsuma about Miss P's financial situation.

Miss P has explained that the only reason her outstanding loan balance had fallen so much was that she'd entered a debt management plan. And I can see the payments Miss P was making against that plan from her bank statements. But those are only around £125 each month and so I don't think they make the combined repayments on loans 2 and 3 unaffordable for her.

So I don't think Satsuma was wrong to give Miss P the third loan either.

my final decision

For the reasons given above, I don't think Satsuma was wrong to give the first or third loans to Miss P. So I don't uphold her complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 2 February 2018.

Paul Reilly
ombudsman