

complaint

Mr L complains that Provident Personal Credit Limited trading as Satsuma wrongly lent him money he couldn't afford to pay back.

background

Mr L said that the business didn't carry out proper affordability checks and allowed him to borrow when he was in financial difficulty. He says that at the time of the loan he had a number of other credit commitments and he had been refused loans from other lenders. Satsuma said that it did carry out checks and the loan was affordable on its criteria. It said that there was nothing in Mr L's credit file that would have alerted it to the fact that he was in difficulty.

Initially, our adjudicator didn't recommend that the complaint should be upheld. She looked at the checks carried out by Satsuma and the information it provided and agreed that there was nothing in Mr L's circumstances that would have suggested Mr L was in difficulty. Mr L provided a copy of his credit report which set out all of the loans and the borrowing that Mr L had at the relevant time. The adjudicator revised her view in the light of this. She thought that Satsuma should have carried out more checks before giving Mr L the loan given the information in Mr L's credit file. She thought that lending to Mr L when he had a number of other credit commitments and a default was irresponsible. Satsuma said that it would respond after considering Mr L's credit report but it hasn't, so the complaint has been passed to me.

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 looked very carefully at the affordability checks carried out by Satsuma when approving the loan to Mr L. I can see that although on the face of it Mr L said he had enough money coming in to meet the repayments his credit file showed a different situation.

Mr L asked Provident for a loan of £1000 on the 8 June 2015. Mr L said he had an income of £1650 and outgoings of £56. Satsuma didn't rely on this figure, but it didn't ask him any questions about it either. Satsuma set an outgoings figure of £596.02 and lent Mr L the money.

Looking at the affordability checks that were carried out by Satsuma I can't see that they were properly taken into account. A search of Mr L's credit file would've revealed the number of short term loans he had taken out in April, May and June. As well as this during this period Mr L was over or very near his credit limit with three different card providers. Mr L also had two defaults recorded against him in relation to payday loans taken out during the 2014. This information should have prompted further enquiries. Satsuma should have been able to see that Mr L was relying on short term lending to meet his credit commitments. In cases such as this it's not responsible to provide further credit without more detailed consideration.

Although Mr L took out the loan and provided information to get it I don't think that this is enough for me to say Satsuma acted responsibly. Mr L wanted and needed the loan because of the spiral of debt he was in. Even though on the face of it Mr L appeared to be able to afford the loan, I don't think this is enough to say that the loan was affordable. By the

time of the Satsuma loan Mr L had taken out short term loans that were outstanding and had a number of other loans from other lenders. Lending Mr L more money in these circumstances without carrying out more robust checking was irresponsible.

Mr L has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that all interest or charges incurred should be refunded and all information recorded on Mr L's credit file about this loan should be removed.

If after the refund of interest and charges there is an outstanding balance I would expect Satsuma to come to an affordable arrangement with Mr L to pay this back.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Provident Personal Credit Limited should do the following:

1. Refund any interest and/or charges applied to the loan together with 8% simple interest per year from the time that the interest and charges were paid to the time Mr L gets it back.
2. Remove all information recorded on Mr L's credit file about this loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 April 2016.

Emma Boothroyd
ombudsman