

complaint

Miss P complains that the loans applied for and approved by Provident Personal Credit Limited, trading as Satsuma loans ("Satsuma"), trapped her into a 'debt spiral'.

background

Miss P says that the repayments for these loans took so much of her wages that she had to borrow again in order to cover them. These led to her being trapped into a 'debt spiral'. Miss P says that she thinks that Satsuma ought to have carried out proper checks and if it had it would have seen that she was not in a position to repay these loans. Miss P says that it was not responsible of Satsuma to lend money to her.

Satsuma has given me information about the loans Miss P took and here is a brief table.

| Loan | Date taken | amount | Repayments | Loan period | End date – both repaid early |
|------|------------------|--------|---|-------------|------------------------------|
| 1 | 10 February 2016 | £700 | £26.79 a week (£116 monthly equivalent) | 52 weeks | 6 July 2016 * |
| 2 | 2 June 2017 | £1,100 | £182.60 a month | 12 months | 5 September 2017 * |

Our adjudicator considered this complaint and thought that the checks Satsuma had carried out before lending had been enough and so that the complaint should not be upheld. Miss P disagreed so it has been passed to me for a decision.

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

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

Satsuma has said that it had information about Miss P's income and her outgoings. Miss P's declared income to Satsuma was very different for each loan. For Loan 1 it was £1,640 monthly net income and for Loan 2 it was £2,344.

Satsuma did carry out credit bureau searches. Miss P does not agree with them. I think that these searches prompted the enhanced affordability assessments as explained here.

The entries on the Satsuma spreadsheets from both loans have a note on the 'affordability' section of Miss P's applications - 'referred'. I think these referrals may have been linked to the credit search information it had. And I think it was likely the reason for the 'enhanced affordability assessment' for each loan were carried out. I have seen that these were done from reading the Satsuma account notes. And having done this Satsuma calculated that Miss P had just under £477 a month left over after paying her expenses, living costs and other loan repayments for Loan 1 and just over £597 for Loan 2. And based on what it saw from this it decided to lend to Miss P as a result.

Miss P has given us some bank statements, some credit score results for September 2015, February 2016 and July 2016 together with her personal credit file dated April 2017 which covered the period for six years up to then. Miss P also sent three pages of the credit file dated November 2017. She has sent us an email which she says is from a financial adviser who has presented figures to show she had many more outstanding short term loans (STL) at the time of her applying for these loans. I think that this is based on the spreadsheet Miss P has provided for us which collates all her STL lending over several years.

Loan 1

The starting point is to identify the proportionate checks I would have expected Satsuma to have carried out for Loan 1 at the time of application. For an instalment loan with this sort of repayment sum of about £116 a month combined with the lengthy debt period of 12 months, I would have expected that Satsuma ought to have had knowledge of Miss P's income and details of her living expenses and outgoings. Satsuma had that information plus it had asked her about other loan repayments she may have had.

Satsuma seems to have gone further by verifying Miss P's income by getting a payslip from her plus carrying out an enhanced affordability assessment which I think may have been prompted by the credit search. I do not know exactly what was said as I have no call recordings. But I can see from account notes that Miss P gave additional figures to increase her outgoings total figure for Loan 1 to £1,283.91. The figure given at the initial application was £840. So it seems she was asked about further outgoings and costs during that call.

So on balance I think that Satsuma likely carried out the checks I would have considered to have been proportionate to the loan request. The repayments were due to be just under £27 a week – equating to about £116 a month. At this stage of the lending relationship I do not think that Satsuma needed to have got more on any specific loans such as any STL. The enhanced check it did carry out with Miss P on the telephone appears to have given Satsuma additional expenditure details which may have included these.

I do not uphold Miss P's complaint in relation to Loan 1.

Loan 2

By the time Miss P applied for Loan 2 in June 2017, it had been almost a year since she had repaid Loan 1. It seems that there had been a declined loan application in February 2017. I have few details of it despite asking Satsuma for more information. Miss P cannot recall it.

Miss P's declared income for this loan application was larger at £2,344 a month. Loan 2 was for 12 months and the monthly repayments were going to be about £183 a month.

I would have expected that the checks Satsuma ought to have carried out proportionate to the loan would have been to have knowledge of Miss P's income and details of her living expenses and outgoings. It had that detail plus it had asked her about loan repayments.

Satsuma seems to have gone further by verifying Miss P's income by getting a payslip from her plus carrying out an enhanced affordability assessment. I think that may have been prompted by the credit search it had carried out as I have explained above. I do not know exactly what was said as I have no call recordings. It seems she may have been asked about further outgoings and costs as this was recorded in the account notes as a larger total figure (£1,746.84) than the sums she had given during the initial application process (£1,040).

This enhanced check led Satsuma to calculate that with a verified income of £2,344, the amount left over after all her payments and commitments would have been about £597. The repayment figure of about £183 would have appeared affordable.

The figures Miss P gave to Satsuma when she wrote to complain to it were that her outgoings, including other debt repayments, came to about £1,600 at the time and so with an income of £2,344 then her money left over would have been £744. On her own submissions during the complaint process it seems that Miss P would have been able to afford the Loan 2 repayments.

This appears to have been a proportionate level of check to expect Satsuma to have carried out and I think that it did that. I do not uphold Miss P's complaint in relation to Loan 2.

my final decision

My final decision is that I do not uphold Miss P's complaint. Under the rules of the Financial Ombudsman Service, I am required to ask her to accept or reject my decision before 18 November 2018.

Rachael Williams
ombudsman