

complaint

Mr W complains that Provident Personal Credit Limited (trading as Satsuma Loans) gave him unaffordable instalment loans. He wants a refund of his interest and charges with interest.

background

Mr W had two loans from Satsuma between August and December 2016. He said he was borrowing from other lenders every month and this would have shown on his credit report. Satsuma said it'd made affordability and credit file checks and these didn't show that the loans would be unaffordable.

Our adjudicator recommended that the complaint should be upheld. He thought Satsuma's affordability checks went far enough. But he thought it should have seen that Mr W had outstanding short-term loans when he applied for the Satsuma loans. So he thought it should have made further checks and it would have seen that Mr W had large amounts due for repayment. He thought Satsuma should refund Mr W's interest and charges, apply this to the balance owed and remove related adverse information from Mr W's credit file.

Satsuma replied that it wouldn't have seen Mr W's other short-term loans if they had been taken within 30 days of his application. It said it was entitled to rely on Mr W providing accurate information about his finances.

my findings

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

Mr W's first loan was for £400 to be repaid over 26 weeks at £29.46 a week. He had two late payments and then repaid this loan early. Two months later, Mr W borrowed £800 to be repaid over eight months at £200 a month. A balance remains outstanding.

Satsuma was required to lend responsibly. It should have made checks to make sure Mr W could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr W was borrowing, and his lending history. But there was no set list of checks Satsuma had to do.

Satsuma said it checked Mr W's income and expenditure and it carried out a credit check on Mr W's other short term and regular credit commitments. Mr W said he earned £1,700 a month and his expenditure was £625 including £25 for other loans. Satsuma said its checks had shown that Mr W had no other short-term loans in the previous six years.

For Mr W's first loan, I would usually say that a check on his income would be enough to assess affordability. Satsuma asked him for his income and expenditure and these gave a disposable income of £1,075. And I would usually say that it was reasonable for Satsuma to rely on the information provided by Mr W, unless it had reason for concern.

But Satsuma also carried out credit checks on Mr W. It said these found that Mr W had no short-term loans in the previous six years. But I've looked at Mr W's credit file and his bank statements and I can see that this wasn't the case. I can see that he was borrowing from a range of lenders over some years. In the month before both his first loan from Satsuma, he borrowed around £1,400, and this then increased for loan two.

Satsuma said it wouldn't have seen loans taken within 30 days of its checks. But I agree with the adjudicator that some of these loans should have been seen by Satsuma. And I think this should have reasonably alerted it to make further checks on the extent of Mr W's short-term borrowing. I think it would then have seen that Mr W didn't have enough disposable income left after paying for his normal living costs, his bills, and his existing financial commitments to repay his instalments.

So I think if Satsuma had made sufficient checks, it would have found, as I have, that both loans were unaffordable. So I think it was wrong to approve them.

my final decision

My final decision is that I uphold this complaint. I require Provident Personal Credit Limited (trading as Satsuma Loans) to do the following:

1. Refund Mr W the interest and charges he paid on his loans, adding interest at 8% simple per annum from the date of payment to the date of settlement. This refund should be offset against the principal still owed for loan two and the rest paid to Mr W. Or, if a balance remains outstanding, an affordable repayment plan should be agreed.
2. HM Revenue & Customs requires Satsuma to withhold income tax from that interest. It must give Mr W a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr W's credit file when any remaining balance has been cleared.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 June 2018.

Phillip Berechree
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