

The complaint

Mr S has complained about two loans he took out with Provident Personal Credit Limited trading as Satsuma Loans. He says the loans were unaffordable.

What happened

Mr S took two instalment loans with Satsuma; one in November 2017 for £300 and a second loan in March 2018 for £1,000. There is still an outstanding balance on the second loan.

Our adjudicator upheld the second loan and recommended Satsuma put things right for Mr S.

Satsuma made an offer in line with the adjudicator's recommendation. This was to remove the interest from Mr S's outstanding balance to the sum of £992.00 and to remove any adverse data in relation to loan 2 from Mr S's credit file. This leaves a remaining outstanding balance which Mr S still owes Satsuma of £737.07.

Mr S did not accept the offer as he doesn't believe it is fair. He considers the outstanding balance should be written off.

As the complaint has not been resolved informally; it's been passed to me for a decision.

There is no dispute about the merits in this case, so my decision will focus on redress and whether I think Satsuma's offer is fair and reasonable in the circumstances of this complaint.

What I've decided – and why

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

Mr S asked, as part of his complaint that the outstanding balance is written off (in other words - that the business nullifies his loan). When a business does something wrong, I'd expect the business to put it right by putting the consumer in the position they would be in if that error hadn't taken place.

Mr S wouldn't have paid interest and charges on loan 2 had it not been granted, so I would expect the business to refund that interest (or remove it from the outstanding balance). But Mr S wouldn't have had the £1,000 from the loan either. But the problem here is that Mr S has used the funds. So it's simply not possible to put Mr S back in the position he would be in if he hadn't been given this loan in the first place.

In circumstances where I don't think the lender should've given a loan, I would generally still expect a consumer to repay the money borrowed. This is because the consumer has had the benefit of this money. So typically I wouldn't say the business needed to write off the outstanding capital balance and I don't think it would be fair and reasonable to do so in this case.

As there is outstanding balance, Satsuma should try to agree an affordable repayment plan with Mr S. In doing so, I would remind Satsuma of its obligation to treat Mr S positively and sympathetically and Mr S should be aware he has a duty to engage with Satsuma over the repayment of the loan.

My final decision

My final decision is that the offer made by Provident Personal Credit Limited trading as Satsuma Loans is fair and reasonable in all the circumstances of this complaint and I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 May 2020.

Kathryn Milne
Ombudsman