

The complaint

Mr S complains Provident Personal Credit Limited trading as Satsuma Loans are holding him responsible for repaying a loan he never agreed to take out. He wants them to stop pursuing him for the loan.

What happened

On 6 June 2019 a loan of £1000 was taken out in Mr S's name with Satsuma Loans. Around this time five other loans were taken out in his name for different amounts.

Mr S says he didn't apply for the loans and wasn't aware of them until his mother checked his credit report and saw there were multiple credit searches recorded. He contacted Satsuma Loans and asked that they investigate the matter as fraud. Satsuma Loans didn't agree Mr S was the victim of fraud, so Mr S raised a complaint through our service.

It's important to say that Mr S has a medical condition which impacts on how he thinks, communicates and understands things. And he told Satsuma Loans about his condition when they were investigating his claim.

Satsuma Loans rejected the complaint. When Mr S first rang Satsuma Loans, he said his friend had told him he could take out loans in Mr S's name, and Mr S wouldn't have to repay the loans but would receive some of the loan as commission. So, it found Mr S ought to be liable for the loan because he had agreed to what happened taking place.

An investigator at our service considered Mr S's complaint and decided not to uphold it. In summary they found:

- Mr S's version of what had happened wasn't plausible. He had given Satsuma Loans a very different story. He had also sent Satsuma Loans a letter which repeated that there was an agreement between Mr S and his friend to take out loans in Mr S's name.
- Although Mr S said his friend helped him draft the letter, it was more likely what Mr S had said over the phone and in the letter was true. So, Mr S had agreed to take the loan out, even if he hadn't seen the loan's terms and conditions. So, he should be responsible for repaying the loan.

Mr S disagreed with the outcome. He says he was already in debt when the loans were taken out. Satsuma Loans needed to perform more checks, such as looking at his bank statements and pay slips. He repeated he didn't know the loans would be taken out in his name; and not enough consideration had been given to how his medical condition affects his everyday life.

Mr S asked for a final decision from an ombudsman, so the complaint has been passed to me to decide.

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.

I've decided not to uphold Mr S's complaint. I'll explain why.

Did Mr S know the loans would be taken out?

Mr S has been inconsistent in what he said happened. He told our service he didn't know loans would be taken out in his name. He said his friend told him they accidentally sent funds to his account, which Mr S then withdrew. He said his friend had his account details from helping him arrange car insurance in the past.

But Mr S told Satsuma Loans something very different when he first reported his concerns. He said his friend said they could apply for loans in Mr S's name and Mr S wouldn't have to worry about repayments, but he would receive commission. Mr S also wrote a letter to Satsuma Loans and asked to agree an affordable way forward to repay the loan, which said something similar. Mr S says his friend told him what to say when he wrote the letter, so it wasn't correct.

Mr S will be disappointed by what I have to say, but I'm not persuaded he didn't know the loans would be taken out. The evidence points strongly to him knowing his friend would apply for loans in his name. His bank has provided evidence to show it asked him about the funds coming from payday lenders *before* he withdrew the money, which he didn't dispute at the time. Instead he gave answers about what the loans were for.

Should Mr S be liable for the loan because of his circumstances?

Satsuma Loans must consider the individual circumstances of its customers when making decisions that affect them, particularly when considering the needs of those who are vulnerable. There is a wealth of rules and guidelines which establish this, so there is no need to detail them here.

Mr S suffers from a diagnosed medical condition. And from what I understand, one of the symptoms someone might have with this condition is difficulty understanding information. But this varies greatly between individuals. In his letter to Satsuma Loans, Mr S said his condition means he has trouble understanding basic concepts. He also says he sometimes has difficulty explaining his needs and sometimes has trouble remembering specific things.

Satsuma Loans asked Mr S for medical information to demonstrate how his condition affects him. Mr S provided information, which I have very carefully considered. The information confirms his condition, and it reveals his doctor said it affects his ability to manage his finances. But I'm not satisfied the evidence shows he is affected by his condition so much that he doesn't understand how a loan works, or that Satsuma Loans would look to him to repay the loan.

One of the documents Mr S sent is a medical referral completed by his doctor. One of questions on the form was:

“Does the Person have any difficulties or idiosyncrasies in: Imagination/make believe, Thinking abstractly, Generalising concepts, Forward planning, Time management and organisation.”

This has been answered as 'no', which would indicate Mr S is capable of understanding the consequences of taking out a loan and what interest is. Mr S's credit file also shows he has

taken loans out in the past. So, I don't think the concept of a loan and how it works is new to him.

But this doesn't mean Mr S wasn't vulnerable as a result of his condition. He may not have realised the seriousness of allowing his friend to apply for the loans in his name, like someone without his condition would. He may also have trusted his friend to keep his promise to repay the loans, but his friend didn't, and he was left with this responsibility. If this is what happened, it must have been very upsetting for him, and he has my sympathy.

From the information Mr S provided it appears he is getting help to address how what happened has made him feel. So, I don't doubt how much realising the extent of his debt has affected him. But it's good to hear he is getting support to help him cope.

Affordability

Mr S says he wouldn't have passed affordability criteria had Satsuma Loans ran further checks. But a lender is under a duty to perform proportionate checks. And considering the size of the loan, I'm not persuaded Satsuma Loans needed to verify the financial information they had through checking Mr S's payslips or bank statements.

The evidence points to Mr S agreeing to his friend pretending to be him to take out the loan. So, I'm not persuaded Mr S would've provided correct information if Satsuma Loans had managed to contact him to check his identification. It's also unclear that the loan was unaffordable for Mr S, based on his income and expenditure. Satsuma Loans wouldn't have known about the other loans being taken out at the same time, so the cost of those other loans wouldn't have formed part of its affordability assessment.

I've also considered that Mr S may have benefitted from some of the money he took out, although he says he gave it all to his friend. I say this because he told Satsuma Loans over the phone that he would receive some commission from the loan, so it's possible some of the cash he withdrew was kept by him.

So, on balance, I'm persuaded Mr S is liable for the loan because I think he agreed to it being taken out in his name. This doesn't, however, mean that Satsuma Loans shouldn't see what they can do to help him more easily repay the loan repayment if it's unaffordable. Satsuma Loans has an obligation to see how they can help customers who are struggling with repayments, and to ensure a fair outcome for a vulnerable customer, which Mr S is because of his medical condition.

I've reviewed Satsuma Loans' records and it appears an affordable way forward to repay lesser amounts was agreed with Mr S that he has kept to. Satsuma Loans' records indicate it went through an income and expenditure with Mr S; and the reduced payment amount was affordable. The reduced repayments are reported as a repayment plan to credit reference agencies, so it appears no default has been reported, which I know Mr S is very concerned about. I find Satsuma Loans has acted reasonably here.

My final decision

For the reasons I've given I've decided not to uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 January 2021.

Liam King

Ombudsman