

The complaint

Mr H is unhappy with the early settlement balance (ESB) calculated by Provident Personal Credit Limited (trading as Satsuma). Mr H says the balance was too high.

What happened

Mr H took out two £900 12-month loans with Satsuma in May 2019. Mr H asked Satsuma to provide him with an ESB so he could pay off the loans early but he wasn't happy with the figure provided. I understand Mr H did still settle his loans early at the end of March 2020.

An adjudicator considered Mr H's complaint but didn't think it should be upheld. The adjudicator thought the way Satsuma had calculated the ESB for the loans was in line with the relevant regulations and Mr H's loan agreement with Satsuma. Mr H didn't accept the adjudicator's view, so his complaint was passed to me.

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.

Having done so, I'm not upholding Mr H's complaint. I'll explain why.

From the information I've seen, I think Satsuma has calculated Mr H's ESB fairly, taking into account the relevant regulations and law, including The Consumer Credit (Early Settlement) Regulations 2004.

Importantly, I also think Satsuma made Mr H aware that settling his loans early would include paying an extra 28 days interest from the point the ESB was requested. Under the heading 'Early Repayment' Mr H's loan agreements say:

"You have the right at any time to make early repayment to settle the loan fully or in part. To do so, you should first give us notice. When you notify us that you want to settle your Satsuma Loan early, we will give you a settlement quote so you know how much you need to pay in total. This will be valid for 28 days. The amount you need to pay to settle your account will include interest calculated to cover this 28 day period in which the quote is valid. This amount is payable even where you settle the loan immediately..."

Had Mr H's loans run to term, he would've paid around £890 in interest. The interest rebate Satsuma calculated on 15 October 2019 (for one of the loans) was £345.05 – which would've included the interest payable up until 12 November 2019, which was about half way through that loan agreement. The interest rebate was a little less than 40% of the total interest payable – which supports Satsuma's argument that it didn't make a mistake when calculating the ESB, as the interest elements of the repayments are not distributed evenly across the 12 months.

I understand that Mr H expected a larger rebate of interest and was surprised to find it was lower than he expected. But I don't think Satsuma made an error when calculating Mr H's

ESB. I also think it explained how it would calculate the ESB. For these reasons, I don't think Satsuma treated Mr H unfairly.

My final decision

For the reasons given above, I do not uphold Mr H's complaint.

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

Matthew Bradford
Ombudsman