

## **The complaint**

Miss M says that whilst she fully repaid her loan early, Provident Personal Credit Limited trading as Satsuma Loans, required that she repay all of the interest. She thinks that as she repaid the loan early she should receive an interest rebate.

## **What happened**

This complaint is about one instalment loan Satsuma provided to Miss M on 18 November 2019. The loan was for £180 and Miss M was due to make 12 repayments of £29.88.

Miss M made a repayment of £50 on 29 November 2019 and another repayment of £50 on 12 December 2019. I understand some of these were used to repay interest and would've led to her payments reducing going forward. She made a further repayment of £80 on 30 December 2019.

Miss M then asked how much she would need to repay to settle the loan. She was told that she would need to repay £110.16 if she did this in January 2020.

Miss M was due to repay £358.56 in total to this loan. So if she had repaid the early settlement amount at the time she would have received an interest rebate of approximately £68.

Miss M then contacted Satsuma and started her complaint. She feels that as she had paid more than the principal amount she borrowed at this early point then she shouldn't have to pay any further interest.

Satsuma didn't uphold her complaint. It felt it had administered her loan correctly and the settlement figure was correct.

Our adjudicator also didn't uphold the complaint. He thought that Satsuma had provided enough information to allow her to make an informed decision at the time the loan was started. And the settlement figure it provided was correct.

I understand that Miss M didn't make any further repayments to the loan. But she and Satsuma have now agreed a repayment plan. And Satsuma has agreed to remove any negative information about this loan from her credit file, partly due to the delay in providing the loan information to this service.

Miss M disagreed with the adjudicator's opinion. Miss M said that she may not have been provided with full information about the loan when she started it. And she may not have understood the terms of the loan before she agreed to it.

As no agreement has been reached the complaint has been 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.

We've set out our general approach to complaints about irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Satsuma needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss M could repay the loans in a sustainable manner. And it needed to ensure it administered Miss M's loan correctly.

The loan agreement that Satsuma provided showed that when a loan is settled before the term Satsuma would calculate the value Miss M would need to repay. It would use an industry standard formula and, as far as I can see, Satsuma has used this and calculated the settlement value correctly.

Miss M says she should pay much less interest as she repaid the loan fairly soon after it started. But a settlement value will usually account for the costs of setting up a loan and the ongoing costs of administering it. The costs incurred when a loan is setup are often higher than the cost of administering the loan, and a settlement value will often reflect this. Therefore, it's not always reasonable to only repay the capital, or just above the capital, if a loan is settled early in the term. I think this is what has happened here.

Miss M has said that she may not have received the loan agreement that explained the total amount she would repay and the settlement terms. And she may not have understood this due to her personal circumstances. But I understand she applied for the loan online and the documentation would have been provided as part of this process. And it would be difficult for Satsuma to have been aware that she may not have fully understood the contract because of this.

So given all of the above I don't uphold Miss M's complaint.

### **My final decision**

For the reasons set out above, I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 15 December 2020.

Andy Burlinson  
**Ombudsman**