

## **complaint**

Mr W complains that Provident Personal Credit Limited (trading as Satsuma Loans) sold him an instalment loan after it was told that he didn't want any more loans. He also says the loan was not affordable.

## **background**

In August 2015 Mr W borrowed £500 from Satsuma Loans. This loan was to be paid back over 12 months. But less than three weeks later, he phoned Satsuma Loans and said he wanted to repay the loan in full, using his mother's debit card. He then handed the phone to his mother, who paid £587. During this call, one of them told Satsuma Loans that Mr W did not want any more loans. But only six days later, Satsuma Loans lent Mr W £300. This loan is now in arrears. Mr W says that he should never have been sold the second loan.

Satsuma Loans says that it told them during the phone call that they had to send the request in writing, but no written request was received until November. It had considered Mr W's income and outgoings and decided that the loan was affordable. It argued that the fact Mr W had repaid the first loan early showed that he was a reliable customer. It described Mr W as "an ideal candidate for lending." It had only lent Mr W £300, instead of the £600 he had asked for. It had received no evidence to suggest that it shouldn't lend to him. And it pointed out that it was Mr W's responsibility to tell it if he was in financial difficulty.

Our adjudicator upheld this complaint. He thought that Satsuma Loans had been put on notice during the phone call that Mr W did not want any more loans. It did not matter whether it had been Mr W or his mother who had said so, since Mr W had been involved in the call. It wasn't right to require written notice from a customer who had already communicated his wishes verbally. Satsuma Loans should have taken the phone call into account, but hadn't. It had also failed to have regard to the fact that Mr W had not repaid the loan with his own money – he had needed his mother to pay it for him. That suggested that further borrowing was not sustainable.

The adjudicator recommended that Satsuma Loans write off the debt and remove it from Mr W's credit file, repay all the money paid towards the debt, and stop asking him if he would like to take out further loans. Satsuma Loans did not respond, and so this complaint has been passed to me for an ombudsman's decision.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The recording of the phone call is no longer available. Two different written records of the call give inconsistent information about whether it was Mr W or his mother who indicated that Mr W did not wish to be offered any more loans. But it is clear that Mr W participated in the phone call, and it is clear that his mother repaid the first loan with her own money.

I take Satsuma Loans' point that Mr W's disposable income suggested that the second loan was affordable. But the phone call strongly suggested that he was in financial difficulties. If all was well, then he would not have repaid the first loan so soon after taking it out. And he would not have needed his mother to repay it for him either. Using another person's money to repay a debt suggests that future borrowing may well not be sustainable.

I don't think it makes a great deal of difference which of them actually told Satsuma Loans not to lend or offer to lend to Mr W again. If his mother had made the phone call by herself, then Satsuma Loans would have been justified in ignoring a request by a mere third party. But Mr W had started the phone call, and then put his mother on the phone, knowing that she was going to repay his loan. So I think that was enough to at least put Satsuma Loans on notice that its customer may not want any more loans. If it was the mother who told it, then the call handler could simply have asked to speak to her son again. I don't think it was necessary to ask for confirmation in writing, and I don't think it's helpful to put up hoops for a customer to jump through before acting on a simple request.

It's not clear whether Satsuma Loans was told in that phone call that Mr W was a compulsive gambler, or that he had mental health issues. There's no record of those being mentioned until later, after the second loan. But I don't think it should be necessary for a customer to explain to a lender why he doesn't want to be offered any more loans, or to provide evidence about the reasons why.

Finally, I think the fact that someone who had just repaid a £500 loan less than a month into a 12-month agreement, and with someone else's money, then asked to borrow £600 only six days later should have alerted Satsuma Loans to the fact that something was amiss.

So for the above reasons, I think that Satsuma Loans should not have lent to Mr W six days later without undertaking greater checks than simply assessing his disposable income. It should have taken the phone call into account, but it did not do so. And if it had, I think it's unlikely that it would have considered Mr W to be an ideal candidate to lend to, given his recent history. On balance, I agree that the second loan was mis-sold, whatever Mr W's disposable income was.

The remedy proposed by our adjudicator is not what our service would normally suggest for a mis-sold loan. We would usually ask the lender to refund interest and charges only, rather than refund the capital as well. That's because the borrower will have had the benefit of spending that money. So I have considered this matter very carefully. But on balance, I think that this case merits a different approach, because it's not simply a loan which was not affordable. It's a loan which should not have been lent because the lender had ample reason to believe the borrower had asked not to be given one. So I agree with the adjudicator's recommendation.

### **my final decision**

My decision is that I uphold this complaint. I order Provident Personal Credit Limited (trading as Satsuma Loans) to:

- Write off Mr W's outstanding debt.
- Refund to Mr W all the payments he has already made towards the second loan.
- Arrange to remove the second loan from his credit file.
- Stop contacting Mr W to offer him loans or to ask him if he would like a loan (or any similar marketing communicated to him individually).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 July 2016.

Richard Wood  
**ombudsman**