

complaint

Miss D complains that Provident Personal Credit Limited (trading as Satsuma) has continued to apply interest to her loan after she advised it that she was experiencing financial difficulties and was working within a debt management plan.

background

In 2017 Miss D took a loan from Satsuma for £650 repayable by monthly instalments over 12 months.

Shortly after borrowing the loan, and before any repayments had been made, Miss D advised Satsuma that she was experiencing financial difficulties and had entered into a debt management plan arranged by a third-party charity.

Miss D did complain to Satsuma in 2017 that she felt it'd been irresponsible to provide this loan to her because she had multiple loans with other short-term lenders at the time. Satsuma disputed this in its final response to Miss D's complaint, in which it set out the checks that it had undertaken. It appears that Miss D accepted Satsuma's response, and I can't see that this initial complaint was subsequently referred to this service.

This complaint relates to Miss D's concern that Satsuma still expects her to repay all the interest that originally attached to her loan. She's happy to repay in full the original principal loan borrowed, but feels that it's unfair for Satsuma to add additional interest to this.

Satsuma feels that it's been supportive of, and sympathetic to, Miss D in acknowledging her changed circumstances and making adjustments to its loan repayments. It believes it's appropriate that the interest attaching to the original loan should stand.

Our adjudicator considered that Satsuma had acted appropriately in a sympathetic and positive manner, and that it was fair for the lender to seek to recover the interest that was applied to the loan.

Miss D doesn't agree and so she's asked, as she's perfectly entitled to do, that her complaint be considered by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice.

I've reviewed Satsuma's business files and can see that the loan agreement that Miss D signed states clearly what the interest payable on the loan will be, and that this would be applied, in full, to her loan at the outset.

I note that Miss D took the loan of £650 from Satsuma on 5 September 2017 and that the specified interest of £645 was applied to the loan balance on that date. The combined loan and interest was to be repaid by 12 monthly instalments of £108. However, Miss D contacted Satsuma just two weeks after taking the loan to advise it that she was experiencing financial difficulties and wished to add the loan to her debt management plan.

I can see that Satsuma acknowledged that debt management plan and agreed for its loan to be included. I also note that it subsequently invited Miss D to let it know if the scheduled loan repayments weren't affordable and it would consider a reduced repayment arrangement. But I can't see anything in its files that suggests it offered to remove interest from the loan.

The loan is regulated by the Financial Conduct Authority ('FCA'), whose regulations for lenders are set out in its consumer credit sourcebook (commonly referred to as "CONC"). These regulations and provide guidance to lenders as to how they are expected to respond to customers who are in arrears through financial difficulties. In addition the Lending Standards Board has set out, in its Standards of Lending Practice, a voluntary benchmark for good lending practice which also includes situations where financial difficulties arise.

It's clear from the regulations and industry standards that lenders are expected to demonstrate a sympathetic and positive approach to borrowers who are experiencing financial difficulties. CONC 7.3 states that lenders should treat such customers with forbearance and due consideration. This can be exemplified by actions such as reducing or waiving future interest, allowing deferment of payment of arrears or accepting token repayments. Where a borrower is in arrears a lender should allow the borrower reasonable time and opportunity to repay the debt.

The above are only examples – they are not mandatory – and the regulations state that a lender may well only do one or more of the suggested actions, as may be relevant in the circumstances.

I can see that Satsuma took immediate actions when it was advised by Miss D that she was in financial difficulty. It agreed to provide some breathing space and also agreed to its future repayments being made within the debt management plan. It's confirmed that no additional interest will be added to the loan (beyond that set out in the original loan agreement), despite the loan now being repaid over a considerably longer period than was originally agreed.

I'm sorry to see that Miss D has found herself in financial difficulty and it's clear that she is responsibly working to clear her commitments. However, having considered all the circumstances here, I think that Satsuma has demonstrated sympathetic and positive support for her. It's not under any obligation to waive interest, but it has confirmed that it would never look to add any additional interest to the loan. As such, and whilst I know it'll disappoint Miss D, I don't think it's unreasonable for Satsuma to continue to seek payment of the interest that was agreed when the loan was taken out.

my final decision

For the reasons set out above my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 17 June 2019.

Richard France
ombudsman