

complaint

Miss H complains Provident Personal Credit Limited (trading as Satsuma Loans) didn't carry out proper affordability checks and irresponsibly granted her unaffordable loans. She was vulnerable and had mental health issues at the time.

background

Miss H took out two loans with Satsuma. The first in March 2016 was for £650 over 52 weeks. Miss H says it was paid off early a few weeks later using a loan from another lender. About nine days after that she took out the second loan for £750 also over 52 weeks. Miss H later told Satsuma that she was suffering mental health issues when she took it out.

Miss H has produced medical evidence that she suffers from a mental health condition. And she says as result she wasn't aware of the consequences of her actions. Nevertheless she's accepted Satsuma wasn't aware of her issues when it gave her the loans. But she says if it'd carried out further checks when it granted the second loan it would've seen she'd other significant debts. She wants the balance written off or interest on the second loan removed. And her credit file amended and compensation for the stress and anxiety caused.

Satsuma said in its final response that it wasn't told or aware of her mental health issues when she applied for the loans. The applications were done online and it couldn't take account of health issues unless it was told about them. It carried out checks to assess the loans' affordability including considering her income, outgoings and credit bureau information. Its decisions to lend were entirely in line with its lending policy. The first loan was settled early. It's attempted to set up an affordable payment plan on the second loan when made aware of a change in her personal circumstances but that hasn't been adhered to. It's happy to continue assisting her.

Our adjudicator felt this complaint should be upheld. He said:

- Satsuma considered the information Miss H gave and carried out checks before lending to her in March 2016. This first loan was granted responsibly.
- It also completed affordability and credit file checks before lending to her in April 2016. When subsequently told of her health issues it asked for more information. It was sent medical evidence. Her doctor confirmed she'd had mental health issues since 2005 and at the time she applied for the second loan in April 2016 couldn't control her behaviour.
- Satsuma agreed a reduced payment arrangement on the second loan. But this doesn't go far enough taking account of what is now known about Miss H's circumstances when she applied for the loan. The doctor's report demonstrates that due to her illness she wasn't capable of making clear decisions about her finances when she took out the second loan in April 2016. Although the second loan was affordable for her, Satsuma now knows she's a vulnerable customer and she should be treated as such.
- So, Satsuma should waive the interest on the second loan and refund any interest she's already paid plus interest. This amount can be set against the money she then owes on the loan. All adverse information on the second loan should also be removed from her credit file.

Satsuma says Miss H's mental health condition isn't always apparent and at times a customer suffering from it may be fully capable of dealing with their finances for long periods of time. It can't determine if a customer suffers from mental health issues. And it wouldn't discriminate against any person. In this case Miss H's applications were checked and deemed affordable. It followed the correct processes when told of her illness.

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 agree with the adjudicator's conclusions for the same reasons.

Miss H accepts Satsuma wasn't aware of her mental health issues when it gave her the loans.

I think Satsuma carried out appropriate checks when Miss H applied for the second loan and it appeared affordable for her. I don't think either loan was irresponsibly lent.

But Satsuma became aware shortly after granting the second loan that Miss H had mental health issues and was a vulnerable customer. It responded reasonably by asking for more information, considering her situation and attempting to resolve it favourably.

Even so, it had clear evidence from her doctor that she'd longer term mental health issues and that she was experiencing a recurrence and episode of a condition at the time she took out the second loan. This meant she wasn't capable of making clear decisions at the time.

Taking this into account (and even though this loan was apparently affordable and Satsuma has already responded generally positively and sympathetically to Miss H's vulnerability and situation) I agree with the adjudicator that it's also fair and reasonable for Satsuma to not charge interest on the second loan.

But as Miss H has had the benefit of the money she borrowed I don't think I can fairly require Satsuma to write off any balance owing on it as she'd like. Any refund can be used to offset anything still owing towards the money she borrowed.

Miss H has acknowledged her initial contact with Satsuma was "*very positive*" and she's impressed with its understanding and cooperation with her situation. Although I sympathise with Miss H's situation and health issues, I don't think I can fairly or reasonably require Satsuma to pay her any compensation as she'd like.

Overall, I therefore don't see any compelling reason to change the proposed outcome in this case.

my final decision

I uphold this complaint and require Provident Personal Credit Limited (trading as Satsuma Loans):

1. To waive interest on the second loan and refund any interest Miss H's already paid plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove all adverse entries about the second loan from Miss H's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 27 October 2016.

Stephen Cooper
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