

complaint

Mr G complains that Provident Personal Credit Limited, Trading as Satsuma Loans:

- didn't make it clear that the interest on his loan would be paid at the start of the loan and
- shouldn't have given him a loan because he was already in financial difficulties.

background

Mr G took a £500 loan from Satsuma Loans in August 2015. He decided to repay it early and asked for a settlement figure. The amount he was quoted was higher than he expected. When he questioned this, he was told that he'd been paying off just interest instead of a mixture of both interest and capital.

He offered a lower amount to settle his loan, because he was now in substantial debt. Satsuma Loans refused and said the amount he owed had been worked out correctly. He brought his complaint to us. He also said he felt Satsuma had been irresponsible in lending to him in the first place.

The adjudicator upheld his complaint in part and said that:

- when he repaid the loan early, he got a rebate of his interest. Overall, she thought he'd suffered no loss.
- Satsuma Loans had been irresponsible to lend to him. They should refund his interest and charges and remove reference to the loan from his credit file.

Mr G accepted this but Satsuma Loans didn't. They explained what checks they had done when they got Mr G's loan application, and said nothing indicated Mr G might not have been able to repay the loan. They also pointed out that he had since repaid the loan.

my provisional decision

I issued a provisional decision in this case. I explained why I proposed to uphold the complaint in part. In summary, I concluded that:

- Mr G hadn't disagreed with what the adjudicator said about the interest on the loan, so I didn't need to deal with that part of his complaint.
- I'd seen nothing to suggest that Mr G disclosed that he was experiencing any financial difficulties to Satsuma Loans at the time of his loan application. He did have other loans and credit but none were in arrears or default at the time of his loan application.
- I thought that Satsuma Loans had properly assessed whether the loan was affordable. I thought the checks they'd carried out were appropriate.
- Mr G did tell Satsuma Loans that he was in significant debt when he asked them to let him pay a reduced amount. I didn't see any evidence that Satsuma Loans

acknowledged Mr G's financial difficulties or took steps to address the issues with him. I thought £50 compensation for trouble and upset was appropriate.

Satsuma accepted this decision. Mr G didn't. He said:

- my decision is inconsistent with another decision made by this service. Mr G asked me to consider a case that he felt was similar to his.
- Satsuma failed to follow the Office Fair Trading (OFT) guidance on Irresponsible Lending.
- it should have been obvious to Satsuma that he'd misled them about the level of his expenditure and they should have checked what he'd said. It was irresponsible of them to lend to him.
- if they'd checked his bank statements, they would have seen a lot of gambling transactions. He feels this would have made them less likely to lend to him.

my findings

I'm grateful to Mr G and Satsuma for their responses. I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Although I have read all the submissions made by Mr G I don't intend to respond to every point he's raised – nor am I required to. The purpose of my decision is to set out my findings and to focus on what I consider to be the central issues which are relevant to the outcome of his complaint.

I've considered the decision Mr G sent me. It deals with a different type of loan, and while cases may seem similar, each will have been decided on its own facts. I need to consider the circumstances of this case.

Lenders have to lend responsibly. At the time of Mr G's application for credit, it was the Financial Conduct Authority (FCA) who regulated lenders, not the OFT. The FCA requires lenders to make a creditworthiness assessment. The lender needs to consider the information they obtain from the borrower and, where necessary, from a credit reference agency when making their assessment. They need to consider:

- the potential for the new loan to have an adverse impact on the borrower's financial situation.
- the ability of the borrower to make the repayments.

The FCA recognises the decision to lend will be based on the information of which the lender is aware. It doesn't require lenders to make every possible enquiry - it simply says that the checks need to be proportionate.

Satsuma's records show that they didn't accept his original request for a £700 loan because the credit check showed that his existing loan commitments were higher than he'd stated. Mr G took out a lower loan for £500 over 52 weeks. This was a relatively small loan with low

repayments. I don't think it was unreasonable for Satsuma not to request bank statements - they were only required to make proportionate checks.

Mr G's credit file showed that that he had a number of active and closed credit accounts, but there were no arrears or defaults at the time of his application. The details of income and expenditure show that he had enough disposable income to afford the payments on this loan. I remain satisfied that, in this case, Satsuma made appropriate checks and Mr G met their requirements for a loan based on what they knew about his circumstances.

Mr G did tell Satsuma Loans that he was in significant debt when he asked them to let him pay a reduced amount. This was at a time when he told them he was trying to avoid going into a debt management plan. I think it's appropriate for Satsuma Loans to pay Mr G £50 compensation for the trouble and upset which I'm satisfied this would've caused him. They've agreed to do this.

my final decision

My final decision is that I uphold this complaint against Provident Personal Credit Limited Trading as Satsuma Loans. In order to settle this matter I require them to pay £50 compensation to Mr G.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 May 2016.

Nicola Crabb
ombudsman