

complaint

Mr T says Provident Personal Credit Limited (trading as “Satsuma”) irresponsibly gave him loans he couldn’t afford to pay back.

background

Satsuma provided a loan of £800 to Mr T in February 2018. Mr T was due to repay the loan in instalments of £177.60 over nine months.

After making five repayments Mr T contacted Satsuma in September 2018 to say he was having money problems. He made an offer to pay a reduced amount to bring the loan to a close on the basis that he’d now paid back £888 - which in his view covered the original loan and some interest.

His settlement offer wasn’t acceptable to Satsuma. There was then an exchange of messages between Satsuma and Mr T - Satsuma offered Mr T alternative proposals.

In the end though, it wasn’t possible for Satsuma and Mr T to come to an agreement over this.

And by the time he brought his complaint to us Mr T was unhappy not only about the loan, which he feels was irresponsibly lent to him, but also (and I’m briefly summarising here) the way Satsuma responded when he told it about his money problems, being given information that Mr T thinks is misleading about the way interest on the loan works and about the way Satsuma handled his complaint about what’s happened.

Our adjudicator thought about all the complaint issues but didn’t uphold Mr T’s complaint. He thought the loan was correctly lent and the £100 Satsuma had taken off the outstanding loan balance was a fair way to put things right after it admitted delay responding to Mr T’s concerns when he first got in touch. Our adjudicator didn’t feel that Satsuma had done anything else wrong and that there wasn’t anything further it needed to do to put things right for Mr T.

Mr T disagreed so the complaint was passed to me.

my findings

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 short-term lending – including all of the relevant rules, guidance and good industry practice – on our website.

did Satsuma lend irresponsibly to Mr T?

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 Mr T could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr T's complaint.

Before lending to Mr T, Satsuma asked Mr T for information on his financial situation, such as his monthly income and his outgoings, and it took steps to check this information by looking at his payslip. Satsuma noted that Mr T's monthly income was around £2022.

Satsuma also made allowance for some extra expenses when thinking about what Mr T could affordably borrow - it added on another £445.08 to the expenditure Mr T declared.

Mr T was due to repay the loan in nine equal instalments of £177.60.

From what I can see, looking at the amount of Mr T's pay and his declared outgoings, and even taking into account the extra amount Satsuma added on as a buffer for outgoings Mr T might've forgotten to allow for or mention, Mr T *still* had money left over after making the monthly repayments on this loan.

This was the first loan Mr T had taken and the checks Satsuma carried out didn't suggest that Mr T couldn't afford to repay the loan. Mr T had sufficient disposable income to sustainably repay the loan and I so don't think Satsuma was wrong to lend this loan.

Mr T says Satsuma should've known he was in financial difficulties at the time it lent to him. But I can also see that Mr T declared his outgoing monthly financial commitments as £400 per month and other expenditure as £500. So whilst I appreciate he may've had other debts elsewhere, I don't think it was wrong for Satsuma to rely on the information Mr T gave in relation to how much he paid on a monthly basis towards those debts.

I accept that Mr T's actual situation may've been different to what Satsuma was aware of. But as I think the checks Satsuma did before lending this loan were proportionate in the circumstances, I don't think Satsuma was wrong to rely on the information Mr T gave during his application, or not to ask for further information about his circumstances.

So I don't uphold Mr T's complaint that Satsuma lent irresponsibly to him.

how Satsuma responded when Mr T said he couldn't afford to pay the loan

I agree with our adjudicator and I don't think I've seen enough to be able to say that Satsuma acted unfairly or unreasonably when Mr T told the lender he was in financial difficulty.

For all the reasons that our adjudicator has explained more fully in his view, it looks to me like Satsuma was positive and sympathetic towards Mr T and it did try to work constructively with him to see if an affordable payment plan could be agreed.

As our adjudicator has pointed out, Satsuma wasn't obliged to accept Mr T's payment proposals.

I think Satsuma responded fairly and reasonably to Mr T overall. So I don't uphold this part of his complaint.

how Satsuma charged interest on the loan

I've seen a copy of Mr T's loan agreement. It looks to me like the terms and conditions Mr T signed up to are clearly shown – so I think Mr T would've understood what he was agreeing to pay overall, how much the monthly repayments were and when the repayments were due.

And Satsuma has explained to Mr T the way it charges interest.

I can't see that Satsuma has given Mr T misleading information about the way interest on the loan works.

So I don't uphold this part of Mr T's complaint.

how Satsuma handled Mr T's complaint

I have to think about whether Satsuma responded fairly and reasonably when Mr T complained – and I think it did.

When Mr T asked Satsuma to put his account on hold it agreed to do this for a period of 56 days – I think that was a reasonable length of time to give Mr T a breathing space, given that he still owed the outstanding balance, and bearing in mind that Satsuma was entitled to expect Mr T to pay.

And our adjudicator has explained that Satsuma was entitled to report adverse information to the credit reference agencies.

I think Satsuma was right to acknowledge its failure to respond to the email Mr T sent on 7 November 2018 – but as far as I can see, it otherwise dealt fairly with his complaint. And I think that the steps Satsuma took to reduce Mr T's outstanding loan balance by £100 is fair and reasonable in the circumstances and sufficient to compensate Mr T for this admitted error. Whilst I can completely understand how frustrating this was for Mr T when I expect he was anxiously waiting to hear from Satsuma, overall I don't consider there's sufficient reason to award Mr T any additional payment for this, over and above the £100 allowance Satsuma has already made.

In my decision I've dealt with all the main issues that Mr T complains about that affect the outcome of this complaint. I appreciate that my decision will likely come as a disappointment to Mr T. But I hope my explanations, and setting things out as I've done, helps to explain how I've reached these conclusions.

my final decision

For the reasons given above, I don't uphold Mr T's complaint or make an award against Provident Personal Credit Limited (trading as "Satsuma").

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 February 2020.

Susan Webb
ombudsman