

## **complaint**

Mr A complains that Provident Personal Credit Limited trading as Satsuma Loans irresponsibly made two loans to him that he could not afford to repay. He wants a refund of payments made and compensation.

## **background**

Mr A tells us he took out two loans, in 2014 and 2017. He says the loans - I'll refer to them as loan 1 (2014) and loan 2 (2017) - were for £200 and £250 respectively. Mr A says that during this period he had a number of other payday loans. He states that at the time the Satsuma loans were made he was seriously in arrears with other payday lenders. He says his credit file would have reflected this.

Satsuma told us it had issued a final response letter in May 2018 in relation to the 2017 loan. It said it had carried out checks, including with credit reference agencies, and didn't consider these checks demonstrated the loan was unaffordable or unsustainable. And it said in respect of the 2014 loan it had also carried out checks. This showed Mr A had disposable income of in excess of £230 per month from which to make the monthly payment of £93.34. It felt this was affordable.

Our adjudicator recommended the complaint should be upheld - but only in respect of loan 2. In respect of loan 1 she felt the checks had been adequate and there was nothing to indicate the loan was unsuitable. But regarding loan 2 she thought affordability checks hadn't gone far enough before that loan was made. She said Satsuma had been informed that in 2015 Mr A had been in a debt management plan - but this had later been cancelled due to missed payments. She also thought Satsuma should have known that Mr A had about eight defaults on other loans. And that loan 1 was still running. She thought Satsuma should remove all interest and charges on loan 2.

Satsuma accepted the adjudicator's view and agreed to remove the interest charge (£250) from loan 2 and to remove the adverse information relating to this loan from his credit file. Mr A didn't accept this outcome and said he still felt Satsuma made both loans irresponsibly.

Subsequently - although still disagreeing with the adjudicator's view - Mr A made an offer to pay £70 in full and final settlement of the debt owed. Satsuma said it was prepared to accept this. Unfortunately, as of 24 June 2019, Mr A has not made this payment. As it's not been possible to resolve this complaint an ombudsman has been asked to make the final decision.

## **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 can see that Mr A has encountered financial difficulties over a number of years and I appreciate this is a distressing and debilitating experience.

In order to fully explain my decision I should briefly outline our approach where there's a complaint of unaffordable and/or irresponsible lending.

Lenders are required to make checks which are adequate and proportionate prior to granting a loan. It's up to each individual business to decide what checks it needs to make - but usually I'd expect to see evidence of income and expenditure and possibly additional checks including with a credit reference agency. For loan 1 Mr A declared a monthly income of £1,500 and expenditure of £450. This resulted in a significant amount of over £1,000 disposable income. But I can see Satsuma decided - as part of its internal systems - to apply an additional amount of £817 by way of extra safeguards and buffers. This left a disposable income of about £232 per month. The amount being lent was fairly modest at £200 plus interest of about £80. - to be repaid over 13 weeks. In my opinion the checks were adequate and proportionate to the amount loaned and I don't think it was either lent irresponsibly or that it was unaffordable. So I don't uphold the complaint about this loan.

As Satsuma has accepted the adjudicator's view that checks relating to loan 2 were not adequate - and that it was not affordable or suitable for Mr A - I needn't go into any further detail. But for completeness I confirm that I reached the same conclusion and for the same reasons. So I uphold the complaint in respect of loan 2.

Where there is a finding of unaffordable and/or irresponsible lending we would normally expect only the capital sum to be repaid - and that any interest and charges would be waived or refunded. That's what the adjudicator recommended in respect of loan 2. And I agree with that view.

But here things moved on and whilst not accepting the outcome Mr A did make an offer - to pay £70 from his savings in full and final settlement of both loans. Satsuma accepted this in an email of 11 April 2019. And it said upon this payment being made it would remove details of both accounts from Mr A's credit file.

Despite a number of reminders and attempts at contact by the adjudicator it appears this sum still hasn't been paid as of 24 June. When Mr A rejected the adjudicator's view it was necessary for the complaint to be passed to an ombudsman for a final decision to be made. And whilst a proposed resolution was later agreed - as Mr A hasn't complied with the terms of that offer - I'm still required to make a final decision.

Whilst Satsuma agreed to accept a sum of £70 in settlement of both accounts - and delete the account details from Mr A's credit file - I do not think it is fair and reasonable that it should be bound by that offer indefinitely. And I think Mr A has had ample time to pay this sum - particularly as it was apparently being sourced from some savings.

So I can only conclude that for a reason I'm not aware of Mr A has had second thoughts and chosen not to accept this proposed resolution.

In those circumstances I intend to make my final decision in the same terms as would have applied had the offer not been made. This is in line with the recommendations of the adjudicator.

It is of course a matter for Satsuma if it wishes to still honour the terms of the later offer. My decision simply makes it clear that it is no longer bound to do so.

In summary, I uphold the complaint only in respect of loan 2. I'll require Satsuma to remove the interest from that loan and to arrange for any adverse details reported to be removed from Mr A's credit file. I shan't ask Satsuma to do anything in respect of loan 1. This means it can commence such collection activity as it finds appropriate and needn't take any steps to remove the record of loan 1 from Mr A's credit file.

**my final decision**

For the reasons given above my final decision is I uphold this complaint - but only in part.

I'm requiring Provident Personal Credit Limited trading as Satsuma Loans to take the following action in respect of loan 2 only:

1. Remove the interest payment ( and charges if any) and seek only repayment of the capital sum of £250;
2. Refund any payments of interest made by Mr A on loan 2 and apply them to the capital sum remaining;
3. Arrange for adverse details relating to loan 2 to be removed from Mr A's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 July 2019.

Stephen D. Ross  
**ombudsman**