

complaint

Mr P complains about an early settlement value he received from Provident Personal Credit Limited trading as Satsuma. He says that it was not calculated correctly. He thinks that he repaid more interest than the contract said he would. Mr P would like this interest refunded.

background

This complaint is about one instalment loan Satsuma provided to Mr P on 9 August 2018. Mr P borrowed £850 and it was due to be repaid in six monthly instalments of £268.

Mr P requested to settle his loan on 5 September 2018. To this Satsuma said this he would need to repay £1143.07. Mr P paid this on 6 September 2018 and the loan was settled.

Satsuma has looked at Mr P's complaint and didn't uphold it. It said that the early settlement value was calculated correctly.

Mr P has said that he thinks this isn't the case. He says that the contract shows that the monthly interest is £128.83. He had the loan for around a month, and he accepts that Satsuma can add a further month onto this. This give a total interest he feels he should've paid of £256.66. But, as above, he paid more than this when he settled the loan

One of our adjudicators looked at the complaint, He said that the method Mr P has used to calculate how much interest he would pay only applies to settlement within the first 14 days (right of withdrawal). After this time a standard formula is applied which the business had used correctly (early settlement).

The credit agreement didn't provide full information about how an early settlement would be calculated. Our adjudicator thought that the contract should've had more detail about this. But he also thought that Mr P would still have proceeded with the loan if he had been provided with this information. And so he didn't think the lack of information was a reason to uphold the complaint.

Mr P disagreed with the adjudicator's opinion, for the same reasons he made his complaint, so the complaint has been 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.

As our adjudicator explained Mr P was able to withdraw from the loan within 14 days. He would then repay the amount borrowed plus the daily interest chargeable of £3.91. This is what Mr P seems to have based his calculations on in respect of what he thinks he should've had to pay.

But Mr P didn't inform Satsuma of that he wanted to withdraw from the loan within 14 days and so the right of withdrawal conditions don't apply. Mr P asked to repay the loan around a month after it started. And so the early repayment terms applied. When this happens the

business most provide a settlement quote using an industry standard formula. As far as I can see it did this.

Again, as our adjudicator said, the full formula for calculation of the surrender is not contained on the contract. But the contract does contain the following information about settling the loan early:

'You have the right you should first give us notice. When you notify us that you want to settle your Satsuma Loan early, we will give you a settlement quote so you know how much you need to pay in total. This will be valid for 28 days. The amount you need to pay to settle your account will include interest calculated to cover this 28 day period in which the quote is valid. This amount is payable even where you settle the loan immediately. This is in accordance with the provisions of the Consumer Credit (Early Settlement) Regulations 2004'

This gives an indication about the settlement terms. And I've not seen any persuasive evidence that Mr P wouldn't have proceeded with the policy, or tried to cancel it within 14 days, if he had been given further information about this.

my final decision

For the reasons set out above, I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 June 2020.

Andy Burlinson
ombudsman