

The complaint

Mr H complains that Provident Personal Credit Limited (trading as Satsuma Loans) transferred his loan accounts to a debt collection agency without warning.

What happened

Mr H took out two loans with Satsuma in early 2018. The first loan was for £1,000, and started in February 2018. The second loan was for £100 and started in April 2018.

Mr H made the first monthly repayment on the £1,000 loan on time, in April 2018. But in May 2018 he contacted Satsuma to say he'd be unable to make his loan repayments the following day. Satsuma's notes of the call say that it agreed to put a 30-day "breathing space" on Mr H's accounts, and it told him what it could do to help if he had further problems.

In early June 2018 Mr H told Satsuma he was still struggling and asked if the breathing space could be extended. After discussion, a repayment plan was set up, under which Mr H would pay £1 per month towards each loan for three months. Satsuma emailed Mr H and confirmed that the arrangement was to manually pay £1 on 2 August, 2 September and 2 October 2018. It explained that after that, it would need to contact Mr H for an update.

Satsuma's records say that a few days after the first of the payments under the three-month agreement was due, in August 2018, Mr H asked it to take the £1 payment as agreed. But it explained that it didn't currently have a card registered for automatic collection. It said it could reinstate a card that Mr H had previously used, or set up a new one. And Mr H told it a new card would be needed. He then made the missed payment (that had been due the previous week) on each account.

According to Satsuma's records, Mr H phoned it on 11 October 2018 to discuss a notice of default letter it had sent him. Satsuma explained that the payment arrangement was no longer in place. After discussion with Mr H, a further arrangement to pay £1 per month was set up on each account. Satsuma's notes of the conversation say that Mr H told it he should be in a position to increase his payments in the next few months.

The payments of £1 per month continued to be made on time up to and including October 2019. It looks, from Satsuma's records, as if the September and October 2019 payments were made manually, online, by Mr H. But the monthly repayments were missed in November and December 2019. Satsuma then removed the agreements to pay from both accounts and transferred them to the debt collection agent.

In December 2019 Mr H contacted Satsuma to complain that it hadn't contacted him about the missed payments on his account before sending it to a debt collection agent. And when Satsuma didn't resolve his complaint to his satisfaction, he contacted us.

Our adjudicator didn't recommend that the complaint should be upheld. In summary, she said that Satsuma had transferred Mr H's account to the debt collection agency because it

didn't receive any payments from him after October 2019. And she didn't think it had been unfair to do this.

Mr H didn't agree with the adjudicator's view, so the complaint's been passed to me.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr H has pointed out that on previous occasions, Satsuma had taken his payment automatically, and had contacted him if, for any reason, this hadn't happened. He says that Satsuma didn't communicate with him at all about the two missed payments until it was too late, and it had transferred the account to the debt collection agency. He's says he gave Satsuma new card details in August 2019 and it then failed to take payments in September and October 2019.

But although I can see that Mr H and Satsuma spoke about providing new payment card details, and setting up a new continuous payment authority for his monthly payments, in August 2018, I can see no record of any such discussion in August 2019. As I've commented above, it looks as if Mr H made the £1 payments manually to each loan account in September and October 2019. No further payments were made after that.

When Satsuma sent Mr H the default notice in 2018, he hadn't made the payments due under the loan agreements for around six months. And although Mr H told Satsuma in October 2018 that he expected to be able to increase his repayments soon, he didn't contact it further about this.

By the time Satsuma transferred Mr H's accounts to the debt collection agency it was more than 18 months since he'd made a scheduled payment under the first loan agreement. And he'd never made any of the scheduled payments due under the second loan agreement. Satsuma was entitled to take the decision to transfer Mr H's accounts to a debt collection agency, and it would have been entitled to decide to do so even if Mr H hadn't fallen behind with the £1 per month payments.

I can understand why Mr H is frustrated that Satsuma didn't contact him about the missed payments before transferring his accounts to the debt collection agency. But although he might have made the missing payments if Satsuma had contacted him, I don't find, in all the circumstances, that it was wrong to transfer the debt.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 September 2020.

Juliet Collins

Ombudsman