

## **The complaint**

Miss G complains that Provident Personal Credit Limited trading at the time as 'Satsuma' allowed her to continue to make repayments on her loan, despite it having sold the debt on to a third party. She is unhappy that a default was added to her account on 16 September 2019 and about the lack of contact from Satsuma regarding her agreement and the transfer of the debt to the third party.

## **What happened**

Miss G took out a short-term loan in August 2017 with Satsuma for £1,000. Miss G was due to repay £166 monthly over a period of 12 months.

Miss G continued to make repayments for the loan in varying amounts until September 2019. At various points she agreed different repayment plans with Satsuma, sometimes for as little as £1 per month. On many occasions Miss G struggled to repay these sums.

In May 2019, Satsuma issued a default notice, after Miss G failed to repay an agreed sum towards her loan in April 2019. Miss G then continued to make some repayment. But she is concerned that Satsuma sold the debt on to a third party while she was making her repayments and that a default was applied to her credit file.

Our adjudicator didn't think Satsuma had done anything wrong in applying the default when it did. Miss G disagreed with this view. She said that Satsuma should have placed the account in default in April (not in September when it did) and not allowed her to continue making repayments to it if it had already sold the loan on.

## **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.

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.

Having considered everything carefully, I'm sorry to disappoint Miss G but I've decided not to uphold this complaint. I will explain why.

I can see Miss G had repayment problems quite early on and based on Satsuma's internal records, Miss G made payments towards her loan of £1.00 from December 2017 to 1 April 2018. In June 2018 Miss G repaid £166 but this payment was refunded on the same date with a message not to use the debit card for payment - it should have been a cash repayment. Miss G continued to repay varying amounts towards her loan. In July she repaid £1.00, a few days later also in July she repaid £86.00.

She then continued once again to repay £1.00 from August 2018 to January 2019. In February and March 2019, she made repayments of £10.00 and then repaid £74 in May 2019, followed by varying amounts until September of no more than £31.

So, all this builds a picture that Miss G was in difficulty making her repayments from early on in the repayments for this loan.

On 1 April 2019, Miss G's repayment of her loan to Satsuma in accordance with her agreement failed. So, at this point the continuous payment authority was then removed from her agreement. Miss G was informed by text message on 1 April 2019 that her payment had been refused and asked Miss G to contact it to make repayment. Subsequently a payment arrangement of £10 a month (which fulfilled the criteria of the default notice) was removed altogether on 18 April 2019 due to non-payment. It seems that Satsuma didn't want to apply a default earlier on. In theory it could have applied it in April 2019 when she again fell into arrears. But as Miss G got back in contact and rearranged a new payment arrangement to repay £10 per calendar month, I think this likely prevented the default from being applied at that time. Satsuma might have been trying to assist Miss G and as a result did not default the account.

Satsuma sent a final response letter to Miss G about her complaint on 6 December 2019. In it, Satsuma said it sent the default notice on 18 May 2018. I have asked for a copy of the default notice from Satsuma, but it hasn't replied to my request. So, I have to decide whether on the balance of probabilities the default notice was sent to Miss G and when it was sent. That means that I have to decide what is more likely to have happened.

On balance I think it was probably sent to Miss G on 18 May 2019. Miss G was behind in her repayments at this time and this date also coincides with the events that took place in Miss G not keeping up her repayment of her loan in accordance with her agreement and the subsequent default notice and selling the debt to a third party.

Satsuma says the default notice told Miss G that she was in default and in relation to making repayments it said *'If you fail to do this, your credit agreement will be terminated and your debt passed for debt collection. This may result in court action being taken against you which is likely to add further costs to your balance. We will also register a default with the Credit Reference Bureau, which could affect your ability to obtain credit in the future.'*

Satsuma also said that the default notice also made Miss G aware she had 28 days in which to contact it to make an arrangement or payment towards her arrears and whilst payment was being made it wouldn't look to apply the default to Miss G's credit file.

Miss G continued to make repayments. These were for different amounts. So, although the arrangement to repay her debt had been cancelled it doesn't seem as though Satsuma applied the default to Miss G's file. After 5 September 2019, Miss G made no repayment at all and because of this, the default notice was now effective on 16 September 2019.

In relation to passing the debt onto the third party this appears to have taken place on 16 September 2019, once Miss G stopped her repayments in accordance with the terms of the default notice and when the continuous payment authority was no longer being met. So, I'm satisfied that Satsuma wasn't collecting repayments from Miss G after it had passed her debt to a third party.

Satsuma had the debt the whole time Miss G was repaying her loan – Satsuma said it sold the debt onto a third party on 16 September 2019 when the default was added. Which is something that Satsuma was entitled to do. So, Miss G's debt was not sold on while she was repaying her loan repayments as she believes. The letter from the third party to Miss G that she has kindly provided is dated on 2 October 2019.

Satsuma could have issued a default notice before it did as Miss G had struggled to repay her debt throughout the term of the loan. But as it more likely issued it in May 2019 then it

couldn't have applied the default on Miss G's credit record earlier as that would have been prior to issuing the notice. And prior to this it looks like various repayment plans were arranged so it's likely Satsuma was trying to help Miss G.

When Satsuma agreed terms of repayments, Miss G still struggled to repay even for amounts as low as £1. In 2019 Miss G was unable to keep to her repayment plan for £10. So, I'm sorry to disappoint Miss G but I can't uphold her complaint. I don't think Satsuma did anything wrong in applying a default notice, noting the default on her credit file or in selling on the debt to a third party. And I think the timing of serving the default notice, applying the default to Miss G's account and selling it on to a third party was in line with the difficulty which Miss G was having in repaying her loan amounts and keeping up with her repayment plans agreed.

### **My final decision**

For the reasons set out above, I don't uphold this complaint. Provident Personal Credit Limited doesn't need to do anything further to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 14 October 2020.

Nicola Woolf  
**Ombudsman**