

The complaint

Mr M complains about the way Provident Personal Credit Limited (trading as Satsuma) reported information about his repayment history on his credit file.

What happened

Following repayment of three loans with Satsuma, Mr M took out two more loans, one in April 2017 and the other in September 2017.

Mr M made regular payments towards these two instalment loans until November 2017. Whilst Mr M then didn't make any payments in December 2017, I understand a Debt Management Plan (DMP) was arranged through a third party and he started making reduced payments to Satsuma through the DMP from January 2018.

Mr M feels that his credit file should show these two loans as defaulted in line with guidance issued by the Information Commissioner's Office (ICO) rather than showing that he is subject to a DMP. He says this because loans are more than six months in arrears. He has told us that other creditors have reported defaults within six months of the start of the DMP.

Mr M feels that the failure to record defaults will adversely affect his credit rating. This is because he says the debt will stay on his credit report through a DMP for longer than it would have done had defaults been reported.

Our adjudicator feels that Satsuma has reported the status of Mr M's loans correctly. He didn't think Mr M's repayment difficulties were significant enough to report defaults.

Mr M disagrees with the adjudicator's assessment and has asked for his complaint to be reviewed.

As no agreement has been reached, the case has been passed to me for a final decision.

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 the relevant rules, guidance and good industry practice - on our website.

principles for reporting repayment difficulties

The ICO is the body set up to deal with a customer's personal information.

In July 2016 it released an updated paper called 'Principles for reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies'. This document set out principles for lenders (which Satsuma is one) when reporting information to the credit reference agencies (CRAs).

Understandably, the ICO requires that information reported on a credit file is ‘..fair, accurate, consistent, complete and up to date’ and where regular payments are not made by the agreed date, principle two of the document says:

‘If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears. If this continues over time, the level of reported arrears will increase, which may result in the lender taking some form of action. This could include notification of their intention to report the account as “defaulted”.

It's not in dispute that Mr M wasn't paying his regular contractual repayments for the agreed amount. So, considering these principles in connection with Mr M's repayment history, I'm satisfied that it was fair for Satsuma to report his arrears to CRAs.

Should Satsuma record defaults – as Mr M says?

Principle four of the ICO guidance explains that generally a default may be recorded ‘when you are 3 months in arrears, and normally by the time you are 6 months in arrears’.

In this case Mr M didn't make a payment towards either loan in December 2017. So, at this point he was not in arrears long enough for a default to be recorded. An agreement was then reached for Mr M to repay the loan through his DMP.

The ICO guidance says that where a DMP is accepted by a lender ..‘the record filed at the credit reference agencies must reflect that the consumer is on a DMP’. I understand that is what happened in this case.

I accept that strictly speaking Mr M's loans were in arrears, in the sense that he was paying less than the contractual repayments and that this had now exceeded six months. But principle four of the ICO guidance also sets out that a default shouldn't be recorded where ..‘an agreement is reached for an arrangement and you keep to the terms of that arrangement’.

Looking at the credit file Mr M has provided he was making payments through the DMP. Mr M said his repayments were up to date when he submitted his complaint and since then he hasn't told us this position has changed.

So overall, taking on board the ICO principles, I'm satisfied that Satsuma acted reasonably by not registering one for Mr M's loans. There doesn't seem to have been any significant arrears prior to the DMP. And in line with the ICO's principles the record then filed by Satsuma with the credit reference agencies appears to fairly reflect Mr M is on a DMP.

I appreciate this will come as a disappointment to Mr M. I hope though that he has found my explanation as to how I've reached my decision helpful.

My final decision

My final decision is that I'm not upholding Mr M's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 April 2021.

Robert Walker
Ombudsman

