

The complaint

Mr S says Provident Personal Credit Limited, trading as Satsuma Loans, irresponsibly lent to him. He says he told Satsuma he was in serious financial difficulty due to gambling before it lent to him. He thinks it shouldn't have approved the lending because of this.

He also said he would like a default notice removed as he told Satsuma about his gambling issues, and related financial problems, at the start and so it shouldn't have lent to him. He also feels that the default shouldn't have been added to his account as he was living overseas at the time. He feels the default is unfair.

And he says Provident continued to offer him new loans despite having difficulty repaying the loans he had. This negatively affected his mental health.

What happened

As both parties to the complaint are aware Provident, is planning to enter into a scheme of arrangement. Because of this I won't be able to consider Mr S' irresponsible lending complaint. Mr S is aware of this and agrees that this Service won't look at this aspect of his complaint. He plans to bring his complaint about mis-selling to the scheme at a later date, if possible.

So, I'm only looking at the 'administration' complaints Mr S has raised. To be clear these are:

- was the default notice reasonably, and correctly, applied to his account and
- did Satsuma send him inappropriate communications, or inducements to borrow, when it knew he was in financial difficulties.

This complaint is about one instalment loan Satsuma lent to Mr S. He borrowed £300 on 14 November 2017. He was due to make six monthly repayments of £94.80. Mr S had one loan before this with Satsuma, but this doesn't form part of this complaint.

Mr S hasn't been able to repay any of this second loan. Satsuma has said they sent Mr S a notice of arrears on 29 January 2018. And a notice of default was sent on 28 April 2018. Satsuma hasn't been able to supply copies of this actual correspondence it says it sent. But, I don't think it's in dispute that they were produced and sent. The default has been recorded on Mr S' credit file.

Our adjudicator looked at Mr S' complaint and didn't uphold it. In brief she said that:

- as Mr S hasn't paid any of the loan repayments, it was reasonable to place the account in default
- Mr S had moved, but he didn't inform Satsuma about this until some time after the default was added. So, he may not have received all of the postal communication about the default
- Mr S was frequently in contact with Satsuma over this time and he would've been aware that his account was in arrears and a default would potentially be added

- the promotional documentation that Mr S received was sent by Provident (Mr S also has loans with Provident itself) and not Satsuma.

Mr S disagreed with the outcome, in response he said:

- Satsuma hasn't been able to provide actual copies of the default notice and so it should be treated as if wasn't sent
- he didn't receive the default notice as he had moved address. So, the default wasn't lawful
- he says he may have been in a financial position to repay the loan and he would have done this if he had received proper notification of the default, and better customer service
- the default is also not lawful as he was living overseas the time and it was not sent within the time frame specified by the Information Commissioner (ICO), that is six months.

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 high cost and short-term lending – including all of the relevant rules, guidance and good industry practice – on our website. Applying this to the circumstances of this particular complaint, I have reached the same outcome as our adjudicator, for essentially the same reasons.

The first thing to look at here is was Satsuma acting reasonably when it applied the default to Mr S' account. As I've briefly outlined above Mr S hadn't made any repayments to the loan when it issued the default notice.

A default is essentially the point where a business accepts that it has failed to reach an agreement with a consumer about repaying credit. And the relationship has broken down. Both sides can then consider what the best next steps should be. I think this what happened here. And having read all of the correspondence between Mr S and Satsuma's customer service representatives, I think it's reasonable to say that this situation wouldn't be resolved in the near future.

Mr S doesn't agree with the assumption that he was unlikely to be in a position to repay the loan. But I think the clearest indicator about Mr S' ability and willingness to repay is what did happen.

I can see there was a dispute about the amounts lent. But even when this was resolved I haven't seen any attempt by Mr S to make any loan repayments. And if Mr S was in a position to make some of loan repayments it seems reasonable to say that he would have done this, even if he couldn't repay the full amount.

So, I don't think it's reasonable to say that Mr S was in a position to make the loan repayments. It follows that I think it was right for Satsuma to place his loan account in default when he couldn't repay the loan.

Mr S has said that the default wasn't lawful as it was made outside of the timeliness guidelines for applying a default given by the ICO. As Mr S is aware, the ICO does say that a default should be applied between three to six months of a missed payment.

But this isn't a legal rule it is a guide to best practice. And circumstances around each loan repayment can differ. It may not always be in the consumers best interests to place an account in default. But in any event the six months timeframe starts from the missed payment. And Satsuma applied the default within this time.

Mr S also says the default isn't lawful as he was living overseas when it was applied. I'm not aware of any rule or regulation that defines where a person must be resident for a default to be applied. And it is accepted that debts in this country aren't extinguished if a person moves, or is living temporarily, overseas.

Satsuma sent the default notice to the address it held on file. But it has been established Mr S was not living at the address the default notice was sent to. He didn't inform Satsuma that he had moved until after the default was added. So, I can't say for certain that he received the default notice by letter. But he was in contact with Satsuma's customer's service representatives by email, so he would've been aware of the status of his account. So, again, I don't think the default isn't valid due to this issue.

So I think it's reasonable to say that Satsuma was acting correctly when it applied the default. I don't think that Satsuma was acting wrongly, or unlawfully, when it did this. And it seems to have produced and sent it correctly, given what it knew.

Mr S has complained about some promotional emails he received from Provident. Whilst Provident is the parent company of Satsuma, both Provident and Satsuma are separate legal entities. I can only consider the actions of Satsuma as part of this decision. So, I can't look at this part of Mr S' complaint here. I understand that Mr S may be able to opt out from these communications going forward.

Overall, given my findings above I'm not upholding Mr S' complaint. I don't think Satsuma has acted wrongly here.

I can see Mr S has been through a difficult time, both in his personal life and with his finances. He has my sympathies about this. And I hope things have improved for him. I'm sure my decision won't be what he wants to hear. But I hope he finds the explanation I've given helpful.

My final decision

For the reasons given above, I'm not upholding Mr S' complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 June 2021.

Andy Burlinson
Ombudsman