

The complaint

Mr Z says Provident Personal Credit Limited trading as Satsuma Loans was wrong to place his loan in to default. He says that Satsuma stopped communicating with him in 2020 and he assumed that it had written the loan off. He wasn't made aware that it had defaulted his loan and passed it to a third-party collection agency. He says Satsuma relied on a notice of default that was issued some years earlier and this wasn't right.

What happened

This complaint is about one instalment loan Satsuma provided to Mr Z on 4 October 2017. Mr Z borrowed £400 and he was due to make 12 monthly repayments of £66.40.

Mr Z had repayment problems right from the start. He was able to make the equivalent of four monthly repayments between October 2017 and May 2018. After not receiving repayments for some time Satsuma issued a default notice on 8 August 2018.

Following this, Mr Z was in contact with Satsuma and he made repayments in September, October and November 2018. There was then another lengthy time when Mr Z was unable to pay. During 2019 he made payments only in April and October.

Mr Z and Satsuma were in contact throughout 2019 and it seemed that Mr Z had a number of financial problems, for example, he wasn't being paid regularly and he was behind with his priority bills. But Mr Z did inform Satsuma about this and he also said that the loan repayments would be affordable ordinarily. Satsuma's contact notes do show that towards the end of 2019 an agreed payment arrangement was stopped (this happened twice) as Mr Z was unable to make his loan repayments.

And in early 2020 I can see that, other than on a few isolated occasions, Satsuma had been unable to contact Mr Z. And it had asked for information about his income and expenditure, but it hadn't received this. And Mr Z still wasn't making any repayments to the loan.

On 24 July 2020 Satsuma defaulted the account and sent it to a third-party debt recovery organisation.

Our adjudicator didn't uphold the complaint. She said that whilst it would have been better customer service if Satsuma had issued a second default notice it wasn't acting incorrectly when it defaulted the loan. And Mr Z would have been aware he wasn't making the loan repayments and the likely consequences of this.

Mr Z disagreed with the adjudicator's opinion. He said that Satsuma was obliged to send a further default notice. And he said the default being on his credit file was causing him personal and professional problems.

As no agreement has been reached the complaint has been passed to me, an ombudsman, to make a 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 of the relevant rules, guidance and good industry practice - on our website.

A business can apply a default when a consumer has been unable to make the agreed repayments and the lender feels there is no reasonable prospect that the borrower will be able to return to the agreed contractual payments. It's often the case that a default is applied when the borrower is behind and communication, and or the relationship, has broken down between both parties.

And this is what has happened here. Mr Z had problems making the loan repayments from very early on. And whilst I can see both parties tried to rectify this situation at the start of the lending, as I've outlined above, towards the time the loan was defaulted Mr Z had been in arrears for some time and Satsuma was having problems contacting him. So, I think it was reasonable for Satsuma to default the loan.

Mr Z complains that Satsuma should've sent a second notice of default before it applied the default to the account. I agree this may have been better customer service. But it doesn't change the fact that I think Satsuma was correct to apply the default. I don't think, given the well documented problems Mr Z had with repaying the loan over a protracted period of time, that he would have been able to repay the loan as in the original contract. I don't think issuing a second notice of default would have changed this. And so, the loan was likely to be defaulted in any event.

And I think, even though Mr Z had been in arrears for some time, the timing of the default was reasonable. Having looked at all of the information I have been provided I think it's right to say Satsuma was trying to assist Mr Z to make his repayments and avoid defaulting the loan. It's only when it was unable to further do this that it applied the default. I think this was fair.

So, overall, I don't think it's right to say that Satsuma was acting incorrectly here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 21 September 2021.

Andy Burlinson
Ombudsman