

The complaint

Mrs H says Provident Personal Credit Limited trading as Satsuma has not registered a default on her two loan accounts. She thinks it should have done this as she has been unable to repay the loans. She says that as Satsuma has not done this the debt will not 'drop off' when her other debts are cleared, and this may affect her ability to get credit in the future.

What happened

This complaint is about two loans Satsuma provided to Mrs H in early 2019. She missed payments for both of these loans between April and August 2019. Mrs H contacted Satsuma over this time to explain she was in financial difficulty. She also explained that she was entering a debt management plan (DMP) with help from a debt management organisation.

At this point Satsuma gave Mrs H 'breathing space' for the loan repayments, that is it was not expecting repayments. The DMP came into in force in due course and Mrs H is making payments, as agreed, under this arrangement.

I can see that at first some of the entries on Mrs H's credit file were shown as only being paid late rather than in a DMP for one of the loans. Satsuma says it has now corrected this. Both the loans should now show on Mrs H's credit file as being repaid under the DMP.

Our adjudicator didn't uphold the complaint. She said that it was correct to show the loans as being in arrears and subject to a DMP. As this was a factual representation of the situation with the loans. She didn't agree that the loans should be shown as being in default.

Mrs H disagreed with the adjudicator's opinion and she still thought the loans should be defaulted. And that that Satsuma was still showing incorrect information about her loans.

As no agreement has been reached the complaint has 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.

We've set out our general approach to complaints about lending - including all of the relevant rules, guidance and good industry practice - on our website.

Satsuma is required to accurately report the information about the loan amounts, terms and payment history of any lending. I've thought about whether it has done this.

As I've outlined above, Mrs H has been unable to pay the contractual amounts she agreed to at the start of the lending. And so, Satsuma is reporting to the credit reference agencies that these loans are in arrears. This is correct as any arrears are measured against the original contracts. And Mrs H's credit file will continue to show this until she repays the loans, or catches up.

And it's also correct to show that the loans are subject to a DMP. I understand that Satsuma did not report this for one of the loans at first, but this has now been rectified. Satsuma should ensure this remains correct going forward.

So, overall, I don't think that the way Satsuma is reporting these loans is incorrect and it fairly reflects the situation with the loans.

Mrs H thinks that Satsuma should have defaulted the loans. And I agree that a loan can be defaulted after three to six months as she says. But a default is usually applied when the relationship between the lender and the borrower has broken down. And the lender feels there is no alternative, or realistic chance of repayment. But this hasn't happened here as Mrs H kept in touch with Satsuma. This was the right thing to do.

The Information Commissioners guidelines about defaults are that they it wouldn't expect a default to be applied if a borrower was making repayments to a repayment plan. And this is the situation here.

And defaulted lending is a fairly serious indicator of bad credit. A default would stay on Mrs H's credit file for six years regardless of whether she pays the loans off or not. And Satsuma would still have to report the information about the repayments.

As the loan is not in default Mrs H has the opportunity to make regular repayments to it and potentially clear the balance in time. And even if I accept that a default me 'drop off' her credit file, it's not clear to me that there would be advantage to her to have the loans marked in default. And given the circumstances I've seen; I agree that it was right of Satsuma not to default the loans at the time.

So, overall, I don't think that Satsuma has acted wrongly here.

My final decision

For the reasons set out above, I don't uphold Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 7 April 2022.

Andy Burlinson
Ombudsman