

The complaint

Mr A complains that Provident Personal Credit Limited, trading as Satsuma, has mismanaged his debt and the recording of that debt on his credit file.

What happened

Mr A obtained his third loan with Satsuma in October 2015 which was for £1,000 and the original schedule for the repayments was to have been £38.27 over 52 weeks making a total to repay of just over £1,990.

In November 2015 Mr A informed Satsuma of some financial difficulty issues and that he was not going to be able to pay the £38 each week. He said he was overcommitted on credit commitments and he was taking advice from a debt advice charity.

After Mr A had complained to Satsuma in May 2021 it issued him with its final response letter (FRL) and from that I've obtained information which was that due to some 'sensitive' information Mr A told Satsuma then he was passed to a specialist team to handle customers requiring additional care. That was November 2017.

Mr A says that no default has ever been applied to the account and despite him trying to repay on the payment plan he has a 'block recording' of 'missed payments' over several years. Mr A has forwarded to us a copy of his credit file. The 'X' which indicates 'missed payments' clearly show as having been recorded from January 2016 through to September 2021. Mr A had sent to us that screenshot in October 2021 and so the 'missed payment' markers may have continued to be recorded beyond September 2021.

The point Mr A makes is that instead of over six years of missed payment markers, the account ought to have been defaulted, in line with the Information Commissioner's Office (ICO) Guidelines, at an early stage.

One of our adjudicators spoke to Mr A and I have listened to that recorded call dating from March 2022. That adjudicator left the Financial Ombudsman Service in April 2022 and I have reviewed his notes. A second adjudicator wrote his view along the same lines. And that view was that he considered it fair to invite Satsuma to apply a default from January 2018. That adjudicator said:

'I think the earliest I can say a default should have been considered is in January 2018, I say this because, given that [Mr A] was in a repayment plan for 2 years and that it failed, when Provident was informed of the reason they did act upon it, by getting the Vulnerability team involved and suspended collections for over 4 weeks but by January as there's no evidence of improvement or repayments I feel by then it would have been clear that there's no reasonable prospect of repayment and as such it may have been more beneficial to crystallise the debt from then.'

Satsuma has agreed to do that – add a default marker from January 2018 - but will await the outcome of the complaint before doing so.

Mr A was not content with that default date as he says it ought to have been earlier. He thinks it should have been when he first contacted Satsuma as the issue he was describing at the time in 2015/2016 was a long term problem. Mr A worked in the financial sector and was familiar with the Financial Conduct Authority and ICO guidelines.

The unresolved complaint was passed to me to decide. I issued a provisional decision on 12 August 2022 giving my reasons as to why I thought that Satsuma should have entered a default for this loan on 23 August 2016.

I gave both parties time to respond. That provisional decision is duplicated below (in smaller type).

Mr A has replied to say that he thinks this is the correct outcome. Satsuma has not responded and has been reminded that 26 August 2022 was the reply date deadline.

My provisional decision findings dated 12 August 2022

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've reviewed all the account notes, statements of account and the explanations Mr A has given and I plan to uphold Mr A's complaint. I explain below.

Our adjudicators seem to have focussed on the time in 2017 and 2018. I think that the focus ought to have been earlier than that.

Satsuma's own FRL cites the ICO guideline – *'In response to your query regarding the Information Commissioners Office and rulings regarding defaults, the ruling dictates:*

"A default normally occurs when you have not met the terms of a credit agreement and your account is three to six months in arrears".

This is normally the case and the account would be defaulted after six months of arrears had accrued on the account however due to your circumstances at the time and the way your account was being managed this was not the case.'

That may have been Satsuma's policy at the time – not to default a customer who was considered 'vulnerable'. But from reading the notes this was not apparent to Satsuma until around August 2017 and in its FRL it says it was November 2017. And so, I've looked at the situation earlier than that.

Mr A took the loan in October 2015 and made one payment of around £38 as scheduled.

Satsuma has told us that Mr A had entered an arrangement to pay £6 a month from 31 December 2015. I have seen records of the emails between Mr A and Satsuma around 19 December 2015 in which it had received his income and expenditure form and had agreed to Mr A's offer of £6 each month.

Mr A did not pay and the arrangement was removed on 27 January 2016. On 28 January 2016 Mr A called Satsuma and it was arranged that Mr A repay monthly £6 for 322 payments and one payment of £7.77. The outstanding balance at that time was around £1,900.

And I have seen another note which indicates that from 4 February 2016 the arrangement was 361 repayments of £6 a month with an end date being 23 December 2042 which is almost 27 years. 361 payments translated to over 30 years. Either way this seems to have been an extraordinarily long time for Mr A to be exposed to the risk of debt collectors, letters from collections departments and for him to be subjected to the debt hanging over him for that period.

And it looks like Mr A did pay the £6 each month until 23 August 2016 by which time Mr A would have been seriously in arrears. Mr A did call in to pay that £6. But there had been other occasions in late 2015 and early 2016 when he had had difficulty paying.

In line with the ICO guidelines I think that Satsuma was able to default the account – if not January 2016 then certainly August 2016. And I think that the 23 August 2016 pay failure date is the fair date to choose. By August 2016 I think that as that had been the second time that the plan had, effectively, failed then the default ought to have been registered at that point.

Satsuma also got it wrong by recording the credit file as 'missed payments' when in fact it appears he was in an arrangement to pay and so it ought to have been recorded, at least as 'A' which is the code for 'arrangement'.

For both reasons – the fact that the arrangement to pay was going to last much longer than six years to repay (more like 26 years plus) and the fact that the credit file records were incorrect from the start, then I uphold Mr A's complaint.

I have considered whether any award of compensation is due. But I have decided against that. If Satsuma had done what I think it ought to have done in August 2016, then he would have had the adverse impact of the default recorded rather than the missed payments from August 2016. And the fact that Satsuma got it wrong in the recording 'X' from January 2016 to August 2016 rather than 'A' likely would have made little difference to the impact on his credit file.

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.

As I have said earlier in this decision, both parties had until 26 August 2022 to reply. Mr A has agreed to my provisional findings and I have received nothing further from Satsuma. And I have noted that it was content to back date the default to an earlier date following on from our adjudicator's view. And so I doubt that it has much of an issue backdating the default to August 2016. Either way – I have not heard from Satsuma.

It is in the interests of both the parties that this complaint is brought to a resolution and so I repeat my provisional findings here. And for the reasons given I uphold Mr A's complaint.

I've reconsidered whether any compensation is due and for the same reasons given in the provisional decision I have decided not.

Putting things right

If not already done so – Satsuma should officially enter a default in relation to this loan from 23 August 2016 which means that Mr A will still owe it money but if Mr A accepts the final decision then the loan will not appear on his credit file at all.

As Mr A will still owe Satsuma money then I remind it to approach Mr A and the debt in a positive and sympathetic manner.

My final decision

My final decision is that I uphold Mr A's complaint and I direct that Provident Personal Credit Limited, trading as Satsuma, does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 September 2022.

Rachael Williams
Ombudsman