

The complaint

Mr N complains that Salary Finance Loans Limited trading as Salary Finance added negative information to his credit file resulting in his access to credit being reduced and him not being able to continue with his house renovations.

What happened

Mr N entered into a 36-month loan with Salary Finance in May 2020. The payments were deducted from his salary each month and when the payments stopped in April 2023, he believed the loan had been repaid. However, 12 months later he reviewed his credit file and found missed payment markers recorded for his loan. He said the loan was still open and the payments hadn't been taken. He said that during this period he had been rejected for finance which meant he couldn't continue with his house renovations. He raised a complaint with Salary Finance.

Salary Finance issued a final response letter upholding Mr N's complaint. It said that due to a system error Mr N's payments weren't collected in full and his account went into arrears. It apologised for the distress and inconvenience caused and said it would remove the missed payment markers from Mr N's credit file and it wrote off the outstanding balance on the account.

Mr N referred his complaint to this service. He said the impact of the mistake couldn't be resolved by just removing the missed payment markers as he had to stop working on his house and his options for credit have been reduced. Mr N wants compensation for the stress and embarrassment he was caused and the time taken to resolve this issue.

Our investigator thought that the action taken by Salary Finance to write off the balance and remove the missed payment markers was fair. However, he noted the upset this issue had caused Mr N and recommended that Salary Finance pay Mr N £150 compensation because of this.

Mr N responded to our investigator's view explaining that he became aware of the issue when he was refused finance for a kitchen. He said this caused him embarrassment and disappointment as he couldn't secure the kitchen he had been planning through no fault of his own. He said he then had to rearrange labourers and other tradespeople he had booked to install the kitchen as well as spending time trying to resolve the issues with Salary Finance. He said this has caused him a lot of stress and his credit options were reduced. He said that the loan remained open on his credit file for 12 months longer than it should have.

Our investigator responded to Mr N's comments with a second view. He still recommended that Mr N be paid £150 compensation but said the closure date of the loan should be amended to 6 June 2023 which was when the loan should have closed.

Mr N asked for his complaint to be reviewed by an ombudsman.

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.

Mr N entered into a fixed sum loan agreement with Salary Finance in May 2020. The loan was repayable over 36 months. The agreement contained the breakdown of payments due with the final payment scheduled for 6 June 2023. The repayments were made through salary deduction and the repayments were made in line with the agreement until April 2023. However, an incorrect amount was collected on the May 2023 payment date, and nothing was collected on the June 2023 payment date. Had the payments been collected correctly the loan would have been settled on 6 June 2023 but because this didn't happen, the loan remained open on Mr N's credit file and his account went into arrears.

Salary Finance has explained due to a system issue it failed to take Mr N's payments correctly and it also didn't contact him to tell him that his account was in arrears. Where a mistake has been made, as it has in this case, we would expect the business to put the consumer back in the position they would have been had the mistake not happened and, where appropriate, to pay compensation.

Mr N became aware of the issue with his loan when he was declined finance for a kitchen. He checked his credit file and there were missed payment markers. In its final response letter dated 20 June 2024, Salary Finance said that a missed payment marker was reported to the credit reference agencies for May 2024 and that it had removed this. It also said that when the June reporting updates took effect another missed payment could be recorded and that it would also be removed. In response to our investigator's view, Salary Finance agreed to amend the loan closure date to 6 June 2023. I find that by removing the missed payment markers and amending the loan closure date to be in line with the original agreement, Salary Finance has put Mr N's credit file back to where it would have been had the payments been collected correctly.

Because Mr N's account went into arrears, interest charges were applied. However, Salary Finance amended the arrears amount and then wrote off the outstanding balance. This meant that Mr N hadn't been required to pay the final instalment on the loan and hadn't been penalised for any costs arising from his payments not being taken. I find this fair.

While the above actions have put Mr N back in the position he would have been had his payments been taken correctly (and his outstanding balance has been written off), I accept this issue has caused Mr N distress and inconvenience. Mr N has explained his embarrassment when his finance application was declined and the additional work that he was caused by not being able to acquire his kitchen as planned. He has also said that his access to finance was reduced. I have taken this into consideration, but I also note that the missed payment markers were only applied in May and June 2024 and removed as part of this complaint raised in June 2024. So, I find this issue was resolved in a timely way. Taking everything into account, including that the balance on the account was written off, I find that £150 compensation, as recommended by our investigator, is a fair resolution to this complaint.

Putting things right

Salary Finance should, additional to the actions it has already taken, pay Mr N £150 compensation for the distress and inconvenience he was caused by the issues with his loan repayments. It should also amend its reporting of the loan to show this as being closed on 6 June 2023.

My final decision

My final decision is that Salary Finance Loans Limited trading as Salary Finance should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 24 October 2024.

Jane Archer
Ombudsman