

## **complaint**

Mr B complains that Provident Personal Credit Limited (trading as Satsuma) has unfairly added a default to his credit file.

## **background**

Mr B borrowed from Satsuma in June and August 2015. He faced difficulties repaying both loans and only made token repayments on each for a considerable period of time. But both loans have now been fully repaid.

Satsuma says that it defaulted one of the loan accounts in March 2016. But, due to a processing error, that default wasn't added to Mr B's credit file until 2018. Satsuma says that it wrote to Mr B in October 2015 about his arrears, and provided him with notice of its intent to default the account in February 2016.

Mr B says that he didn't receive either letter. And he says that he had regular contact with Satsuma throughout 2016 and was not given any indication that his account had been defaulted. He has asked for the default to be removed from his credit file.

After considering Mr B's complaint Satsuma acknowledged that it had failed to apply the default to the credit file in a timely manner. It reduced Mr B's outstanding balance by £50 by way of an apology. But Satsuma didn't think it had been wrong to issue the default and record it on the credit file.

Mr B's complaint has been assessed by one of our adjudicators. Given that Satsuma had failed to provide her with any supporting evidence about the default she wasn't able to say that it had been added fairly. So she asked Satsuma to remove the default from Mr B's credit file. Satsuma didn't agree with that assessment and belatedly has provided us with some further information about the letters it says it sent to Mr B.

Since the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr B accepts my decision it is legally binding on both parties.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice during the time Mr B had the loans.

This complaint isn't that the loans shouldn't have been given to Mr B. So in this decision I am not considering whether Satsuma lent to him in a responsible manner. I am only considering whether it was reasonable for Satsuma to apply a default to Mr B's loan account, and whether he was given appropriate notice before that default was applied.

It seems clear that Satsuma didn't apply the default to Mr B's credit file when it should have done. But the default it has now applied has been dated correctly and so won't affect Mr B's credit record for any longer than it would have done if it had been applied at the time. If anything the impact on Mr B's credit record has been reduced – for two years that default wouldn't have appeared on any credit searches at all. So I don't think Mr B has lost out as a result of the delay in applying the default, and I think that the compensation Satsuma has already given to him (by reducing his outstanding balance) is reasonable.

But that isn't the main issue that I need to decide here. The crux of this complaint is whether it was reasonable for Satsuma to have defaulted Mr B's account at all.

As I said earlier, Mr B took two loans from Satsuma in 2015. At the time the default was applied in 2016 it doesn't seem to me that either loan was being repaid by Mr B in line with his original agreement. There seems to be little, if any, difference in how Mr B was managing those accounts. So the fact that a default was only applied to one of the accounts gives me concerns about the process that Satsuma followed.

Satsuma has said that it no longer holds copies of the actual letters that were sent to Mr B in October 2015 and February 2016. But it has recently provided us with copies of the templates it says the letters were based on. And it has given us an extract from its systems that it says shows the letters were sent to Mr B. But the information I have seen doesn't tell me where the letters were sent – it might be for example that they were incorrectly addressed. And of course Mr B says that the letters weren't received by him.

I would generally expect to see a default applied to an account when the relationship between a lender and the consumer has irretrievably broken down. So normally we'd see a borrower failing to engage with any attempts by the lender to get in touch, and ignoring any requests for repayment. But that isn't what appears to have happened here.

I can see that throughout the time he was repaying both loans Mr B was in regular telephone, email, and SMS contact with Satsuma. He agreed token payments and was making these, across both loans, on a monthly basis. It is of course true that Mr B missed some of those repayments. But that didn't lead to him failing to engage with Satsuma at any stage. He would usually call almost immediately to either explain why the payment had been missed and/or to make an additional repayment.

From the notes that Satsuma made of its conversations with Mr B during 2016 there doesn't appear to be any mention that it was intending to, or indeed had, defaulted his account. And I can see that on a number of occasions, when Mr B was calling about a missed payment, Satsuma recorded that it had advised Mr B about "*the effect on their credit file*". But it doesn't seem that conversation mentioned the rather important effect that already having a defaulted account would have on Mr B's credit file.

Mr B has told us that he was very aware of the impact a defaulted account would have on his credit file. He says that if Satsuma had made him aware of its intentions, either by letter or in the very regular phone conversations he was having, he would have borrowed money from family to ensure that the debt was repaid. I have no reason to doubt what Mr B has said.

So having carefully considered the evidence I have seen I am not persuaded that Satsuma did enough to make sure Mr B was aware of the actions it intended to take in defaulting one of his accounts. I am concerned that information doesn't appear to have been available to, or at the least shared by, the Satsuma staff that Mr B spoke with on a number of occasions during 2016. And those concerns are heightened by Satsuma's acknowledgement that a processing error meant that it failed to add the default to Mr B's credit file for almost two years. So I cannot say it was fair for Satsuma to add this default to Mr B's credit file. The default should be removed and the credit file amended to reflect that Mr B's account was subject to an arrangement to pay agreement and subsequently has been fully repaid.

**my final decision**

My final decision is that I uphold Mr B's complaint and direct Provident Personal Credit Limited to make the amendments to Mr B's credit file that I have detailed above within 28 days of his acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 May 2020.

Paul Reilly  
**ombudsman**