

complaint

Mr H complains that Provident Personal Credit Limited (trading as Satsuma Loans) put a late payment marker on his credit file in relation to his payday loan. He wants compensation for this and for the effect on him of how it dealt with his complaint.

background

Mr H had one loan from Satsuma and then applied for a new one. This was for £600.00, to be repaid over 12 months with added interest of £593.92. Mr H said Satsuma then breached the loan agreement by taking the first repayment early. It said it would freeze repayments whilst it investigated this, but it applied a late payment marker to Mr H's credit file. Mr H said this had an effect on his health.

Satsuma agreed that Mr H only had to repay the principal of his loan. It waived the £593.92 interest and said he could repay the principal in his own time. It also offered him £50.00 compensation for the delay in responding to his complaint. It had earlier offered to remove £160.72 interest. Mr H thought it should still honour this and remove the loan from his credit file.

our adjudicator's view

Our adjudicator recommended that the complaint should be upheld in part. He thought that the waiving of the interest and £50.00 compensation was very reasonable compensation for Satsuma's error. He didn't think it should pay Mr H any more. But he did think it hadn't told Mr H that freezing his account would lead to a late payment marker. So he thought this should be removed.

Satsuma agreed to do this. But Mr H replied that he'd cancelled his loan within the cooling off period, so it couldn't then waive the interest. He said Satsuma had caused delays in returning his funds and he'd applied charges for this which he would deduct from the balance. He said Satsuma had agreed to remove the whole of the loan from his record, not just the adverse entry.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr H and to Satsuma on 30 August 2016. I summarise my findings:

Mr H has told us that this matter has caused him considerable stress. He's said he had to take time off work because of this and is receiving medical treatment. I was sorry to hear of this. I can appreciate that dealing with this matter has been frustrating and stressful.

I disagreed with our adjudicator's opinion on several points. He thought Satsuma had done enough to restore Mr H's position. But, from what I could see, I disagreed with him.

There was no disagreement that Satsuma made a mistake by taking the first loan repayment early. I could see from its file that it thought it had breached the loan agreement. So it waived the interest on the loan and said Mr H could just repay the capital.

But Mr H had already told Satsuma that he wanted to withdraw from the agreement. Satsuma said it hadn't implemented Mr H's request to cancel the loan because it was investigating his complaint. So it froze his account, applied arrears markers and inadvertently caused Mr H stress and upset.

Mr H also said that it passed the account to collections and pestered him with calls. But I could see that Satsuma had explained that these calls were in regard to his other loan with it. It didn't make this clear to Mr H at the time.

I thought Mr H patiently and persistently tried to sort things out. He tried to repay the capital after he said he wanted to cancel the loan. But he couldn't due to Satsuma's processes and systems. He told Satsuma about the effects the matter was having on his health. This seems to have stopped the collections activity.

Then Mr H called Satsuma on 5 May 2016. Its notes record that it said he could repay the capital and "any effect on his credit file will be removed so it will be as if he never had a loan." On 20 May, Satsuma told Mr H the withdrawal from the loan agreement was done and he should repay the capital. It was still deciding on compensation.

But it seems that this was overlooked. Satsuma agreed just to remove the arrears. I didn't think this went far enough. I thought it should honour its agreement with Mr H to remove the record of the loan from his credit record.

Our adjudicator thought Satsuma's offer to waive the interest on the loan was enough compensation. But I didn't agree with him. I agreed with Mr H that, as he'd withdrawn from the loan, the interest shouldn't have been applied.

Satsuma hadn't provided its loan agreement, so I couldn't see the terms for cancellation within the cooling off period. But as it'd agreed that it did breach the agreement and it didn't act on Mr H's request to cancel, then I thought it shouldn't reasonably apply any charges or interest for this.

Satsuma paid Mr H £50.00 compensation for its delay in responding to his complaint. I thought this was reasonable. But I couldn't see that it'd compensated Mr H for the trouble and upset caused by the poor handling of his complaint, for the confused communication with him, and for the stress caused by its actions.

Mr H said he set out clear charges and Satsuma agreed to them by taking actions contrary to what was agreed with him. He said that the total of charges he'd applied now cancelled out the loan. But whilst I could appreciate his frustration, I didn't think this was fair and reasonable. It wasn't in keeping with our usual approach.

Mr H has had the capital. He's made various offers to repay it. I thought he should still repay it. But I also thought that Satsuma should reasonably offer him compensation for his trouble and upset. Mr H said at one time that he was prepared to accept its first offer of £160.72, which it intended to reduce interest. As no interest is payable, I thought Satsuma should reasonably offer Mr H £200.00 further compensation for the considerable trouble and upset it'd caused him.

Subject to any further representations by Mr H or Satsuma, my provisional decision was that that I intended to uphold this complaint. I intended to require Provident Personal Credit Limited (trading as Satsuma Loans) to do the following:

1. Remove record of the loan from Mr H's credit file.
2. Pay Mr H £200.00 compensation for the trouble and upset caused by its poor handling of his complaint and its level of customer service.

Mr H accepted my provisional decision. Satsuma replied that it couldn't remove record of the loan unless it had been settled in full. It said Mr H still owed £440.00 which he was repaying monthly.

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 already said that Mr H should repay the principal of his loan and he's agreed to do this. So I think that once this is done, then Satsuma should remove record of the loan from his credit file as it previously said it would.

Satsuma didn't object to the £200.00 compensation I said it should pay Mr H. I think this is fair and reasonable for the upset caused him by its level of service.

my final decision

My final decision is that I uphold this complaint. I require Provident Personal Credit Limited (trading as Satsuma Loans) to do the following:

1. Remove record of the loan from Mr H's credit file when he has repaid the principal.
2. Pay Mr H £200.00 compensation for the trouble and upset caused by its poor handling of his complaint and its level of customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 November 2016.

Phillip Berechree
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