

complaint

Mr S complains that Provident Personal Credit Limited (trading as Satsuma) has registered a default on his credit file incorrectly, and without providing the required notice beforehand.

background

Mr S took a loan for £1000 from Satsuma in February 2017. It was repayable in 12 monthly instalments of £166. Mr S fell into difficulties repaying the monthly instalments as they became due in around August 2017. On 2 October 2017 Satsuma says it sent Mr S a default notice.

Mr S called Satsuma in November 2017 and began the process of setting up a repayment arrangement of £75 per month. This was not completed at the time and Mr S made no payments to the account until 27 January 2018 when he paid £1. Mr S sent an email to Satsuma on 8 December 2017 asking why he was getting default notifications as he had an arrangement to pay. Satsuma added a default to his credit file. The default was dated 13 December 2018.

In early January 2018 Mr S contacted Satsuma about the default and the collections department agreed to remove it. This wasn't actioned correctly and the default returned on to Mr S's credit file. In May 2018 Satsuma again agreed to remove the default and offered to pay Mr S £250 to reflect the inconvenience. By this stage Mr S had set up a repayment arrangement for £50 per month. Satsuma explained to Mr S that his account was defaulted internally by Satsuma and as such the default was automatically referred to the credit reference agencies every month but there was a note for this to be cancelled provided Mr S kept to the arrangement to pay. In June 2018 Mr S lost his wallet and was late making the repayment and so the default was re-applied. Mr S says this is unfair.

Mr S's complaint has been assessed by one of our adjudicators. She didn't think that Satsuma had done anything wrong by reporting the default because Mr S's account was in default as he had not been making contractual repayments and he was then late in making a repayment under the arrangement to pay. She thought it was reasonable for the default to be dated December 2017 as this was the date the account initially went into default. So she didn't think the complaint should be upheld.

Mr S didn't agree with that assessment. He said that it wasn't fair that the default was applied because of such a short delay in making the agreed repayment in exceptional circumstances. He didn't agree that he had been given proper notice of the intention to apply the default and the December default was always an error. So, as 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.

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 at the time.

In deciding this complaint I have taken account of the submissions that have been made by Mr S and by Satsuma. And where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at

what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to have happened. I have listened to the call that Mr S had with our adjudicator where he fully explained why he did not agree that Satsuma had acted fairly and I have read all his emails to this service and the notes of his contact with Satsuma.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I don't think there is any dispute here that Mr S borrowed money from Satsuma and was unable to repay that loan when it was due. It appears that Mr S fell into difficulties in August after he lost his job.

A lender is required, by the Consumer Credit Act, to provide 14 days' notice before an account is defaulted. A Default Notice was sent to Mr S on 2 October 2017. I can see that this is the period that Satsuma provided to Mr S.

I can see that Mr S called Satsuma to offer payment and made a partial payment on 6 October 2017. This was not enough to bring the account up to date and given Mr S's circumstances it is unlikely that he would have been able to prevent the default from being applied. However, Mr S said he would call to set up an arrangement once his circumstances were clearer. On 3 November 2017 Mr S called to complete an income and expenditure form but this was not concluded as the call was terminated. Mr S didn't call back or make any repayments to the account.

It is clear from the information that Mr S knew that Satsuma were looking to default the account in December 2017, but he says that he thought a repayment plan was in place and he did email Satsuma to clarify the position.

I don't agree with Mr S that the default applied in December 2017 was an error. The account was in arrears and Mr S was not making his contractual monthly repayments of £166 and was not in a position to bring the account up to date. He had not arranged a repayment plan and was not making the agreed repayments. However, Satsuma did agree to remove the default in January 2018 following Mr S making further contact and so I think it would be fair and reasonable for it to have taken steps to do so.

There were clearly problems with Satsuma removing the default and I agree that it was right to compensate Mr S for its failings and to do what it had promised. Satsuma explained in its letter of 9 May 2018 the difficulty with removing the default and stated,

*"I would like to explain that as your loan has Defaulted on our internal systems, a Default will be shared to the Credit Reference Agencies on a monthly basis, however, I have arranged for an automatic amendment to be put in place to prevent this Default showing with the Credit Agencies. **This being said, should you not adhere to the arrangement you currently have in place, a Default may be then be reported.**" (sic)*

It seems that because of the issue referred to above the credit file was not automatically amended at the beginning of June and Mr S explains that the default was showing on his credit file on 6 June. However, Mr S was then late in making a repayment at the end of June 2018 and so the default now shows on his credit file backdated to the original default in December 2017.

I can understand why Mr S thinks this is unfair and why he feels that Satsuma hasn't acted in accordance with the proper procedures. But I think the default was issued correctly in December as Mr S wasn't making the required contractual monthly payments and hadn't brought the account up to date. Satsuma considered that the default had been entered correctly but it did agree to stand by its offer to remove the default but this was on the condition that Mr S kept to the repayment arrangement. This was made very clear to Mr S.

I appreciate that my decision will be disappointing for Mr S and I don't doubt that he had a genuine difficulty with his debit card. But I consider that Satsuma provided him with sufficient notice that the default would be applied, and that the date of the default fairly reflects his failure to repay his borrowing when it was due.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Provident Personal Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 March 2019.

Emma Boothroyd
ombudsman