

The complaint

Mr R complains Salary Finance Limited (SF) gave him an incorrect settlement figure for his personal loan, leading to negative information being recorded on his credit file.

Mr R originally took out his loan with another company, but SF are now responsible for it, so for simplicity I've just referred to them in this decision.

What happened

Mr R was in financial difficulties when on 13 January 2020 he asked SF for a settlement figure for his loan. He received this on 23 January 2020 – and the figure was £1,609.93 with this applying up to 30 January 2020 – after which time it'd need to be recalculated to take into account extra interest that'd accrued. Mr R paid this amount on 23 January 2020.

SF then told Mr R on 31 January 2020 he'd been sent an incorrect settlement figure, and actually the correct settlement figure was £10,349.20. And when SF said this is what Mr R needed to pay, he said they really should honour the original settlement figure they gave him. When they didn't, Mr R complained as he said he was experiencing quite severe financial difficulties, and this caused him more problems.

SF replied to Mr R's complaint, setting out a timeline of events. They explained the original loan had been granted for £15,000 over a term of five years which they expected to be returned in full. They said Mr R had made payments for 15 months before the settlement figure payment, which came out to £4,722.90. They said as interest is added daily, the outstanding amount at this time was £11,879. SF said they could see Mr R had logged into his account on several occasions between 13 and 31 January 2020, when the settlement figure was generated. So, they said it can therefore be assumed Mr R was aware of the outstanding balance of his account, as the figure is displayed on a dashboard.

They accepted they'd sent an incorrect settlement figure, and this was due to human error. But they said accepting any settlement lower than the balance owed due to Mr R's financial difficulties would require a full assessment of his circumstances, plus potentially entering into a formal debt plan. Overall, they didn't agree to accept Mr R's payment of £1,609.93 in settlement of the debt.

Unhappy with this Mr R asked us to look into things, also explaining he felt the outcome of the complaint had been pre-judged, and no fair investigation took place. I'm aware there were some discussions on whether we could consider this complaint. And, ultimately, it was determined we could.

During this time, SF made an offer to Mr R of paying off just the balance of the debt, meaning he wouldn't pay interest, plus the removal of any negative markers.

One of our Investigators considered things and felt SF's offer of Mr R just paying the amount he borrowed back, plus removal of the negative credit file information was fair. But, he also felt SF should pay Mr R £250 compensation for the stress they'd caused him.

Mr R replied, and said it'd be wrong of him to say he was happy with the outcome, as he didn't think the compensation properly reflected the stress he'd been caused by SF. He also explained a review of his employment is taking place, and the negative credit file markers could have an impact on him for that.

SF didn't reply by the deadline our Investigator set, so the complaint's been passed to me to decide.

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.

I think it's helpful to explain we don't require financial businesses like SF to make incorrect information true. So, it wouldn't be fair or reasonable of me to require SF to accept the payment Mr R made towards his loan as a full and final settlement. SF have said Mr R logged into the portal during this time, and Mr R himself has confirmed this is correct and he was aware of the balance. He's said he was surprised at SF's offer. I can understand why he'd have accepted it, but it wouldn't be fair of me to require SF to effectively write off the loan, when the settlement offer initially received was wrong.

SF have made an offer regarding the loan itself – saying they'll only ask Mr R to repay the amount he borrowed rather than any interest – along with removing any negative reporting to his credit file.

I also think this offer is fair for Mr R. It's often the redress we require financial businesses to pay where we've found they've lent irresponsibly. And, in effect, means Mr R only has to pay back to SF what he borrowed in the first place. As he's had the benefit of those funds, that's a fair outcome.

Our Investigator also awarded £250 compensation – saying SF caused the delays in his complaint being resolved, and in these offers being made to him.

It's clear an error was made when Mr R asked for the settlement figure. And based on that incorrect information Mr R made a number of other commitments regarding his finances which were then impacted by him being told this loan hadn't been settled.

As a result of that misinformation, Mr R has been caused distress because he'd have taken different actions regarding his finances if he'd been told the right information. He's also now explained as a result of the negative information being reported to the credit reference agencies it's causing him concerns about his employment.

I can understand why these issues would be causing Mr R distress. And I can see our Investigator recommended £250 to reflect this. I've noted Mr R doesn't agree with this but bearing in mind the interest on his debt no longer needs to be paid, and all the negative information is being removed, I think it's fair.

Putting things right

I require Salary Finance Limited to:

- Remove any interest applied to the debt, leaving only the principle balance owing
- Remove any negative information from Mr R's credit file since January 2020
- Pay Mr R £250 compensation

My final decision

For the reasons I've explained above I uphold this complaint and require Salary Finance Limited to carry out the actions in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 April 2022.

Jon Pearce
Ombudsman