

The complaint

Miss M has complained that Steadypay Limited took a £170 loan repayment from her current account which left her in financial difficulty.

What happened

Miss M failed to make a loan repayment in March 2022. She then did promise to make the full payment on 1 April 2022 but once again failed to do so. Steadypay was trying to make contact with her throughout this period and on Thursday 28 April 2022 it advised her that, as she had breached the repayment agreement, the full amount of £432 plus missed subscription payments was now due.

Miss M did then respond the same day to say that she would like to arrange a payment plan of £10 per month. There was then some negotiation back and forth trying to reach an agreement that both parties found acceptable, but nothing was firmed up at that point. As Miss M was saying she was in financial hardship, Steadypay asked her to fill out a budget form and said that it would review the case within two days of receiving it back. Miss M completed the form on Saturday 30 April 2022.

Miss M had a continuous payment authority set up with Steadypay, which meant that it would automatically attempt debit card payments on pre-arranged dates. If a payment failed, Steadypay had the right to keep re-attempting the payment at a later date. As such, a payment of £170 was first attempted on 1 May 2022 and eventually successful on 3 May 2022.

Miss M was unhappy that the payment was taken after she had contacted Steadypay to explain her situation and to set up a payment plan. She says she was left with only £50 for the rest of the month and would be unable to feed her baby.

When she contacted Steadypay to ask for a refund of the £170, it said it was unable to do so as that was essentially akin to providing her with more credit, which it would be irresponsible to do as she was still in arrears.

Our investigator upheld the complaint and recommended that Steadypay should pay £200 compensation for distress and inconvenience. Steadypay disagrees with the investigator's opinion and so the complaint has been passed to me for a decision.

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.

Steadypay says the issue has arisen due to a lack of communication from Miss M and bad timing. So ideally Miss M should have fully engaged with it from when it first started trying to contact her in March 2022. Because she only contacted them on 28 April 2022 and nothing was finally decided on that day, there was no opportunity to stop the automated payment that was due to happen a couple of days later.

I accept that Miss M's behaviour didn't help matters. Although I'm not sure she would have appreciated the significance of the timing, as she was expecting to reach some sort of resolution for her problems on 28 April 2022.

Steadypay said in its final response letter that it was unfortunate that the automated collection had gone ahead and that it resulted in inconvenience to Miss M. So it seems to agree that it was a regrettable situation that led to Miss M being in difficulty, although it doesn't feel that it is responsible for it.

Although Miss M could have acted sooner, it was the case that she contacted Steadypay on 28 April 2022 to explain that she was not in a position to make the contractual payments. I appreciate the timing wasn't ideal and that no new repayment plan was locked in at that point. But, given that Steadypay had been made aware of Miss M's circumstances, it was unfair of it to then attempt to collect the full payment from her shortly afterwards.

I understand that it was an automated system which Steadypay says was too late to make changes to at that point. It has said that it didn't expect the collection to be successful anyway as Miss M had said that she had no available funds.

Steadypay's reason for not refunding the £170 was that it didn't want to increase her level of indebtedness. But as it hadn't been expecting the payment to go through, providing a refund would have simply left Miss M with the same level of arrears as it expected her to be in and that she had been in only a few of days previously.

Based on the available evidence, I'm not persuaded that Steadypay gave serious consideration to providing a refund and the consequences of not doing so. Because it did not refund the £170, Miss M was left in severe financial difficulty, worrying about how she was going to cope for the rest of the month and provide for her child.

I've thought carefully about what Steadypay has said and take its point that the situation could have been prevented if Miss M had contacted it sooner. However, on balance, I consider that Steadypay should have either stopped the automated collection or refunded the £170 once it did go through, in the interests of treating Miss M fairly.

It's not in dispute that Miss M was put in a very difficult situation. I agree with our investigator that £200 is a reasonable amount to compensate her for the distress and inconvenience caused.

Putting things right

Steadypay should pay compensation of £200. As this award is for the distress and inconvenience caused to Miss M, it should be paid directly to her rather than being used to reduce the balance of her account.

My final decision

For the reasons stated, I uphold the complaint and require Steadypay Limited to pay Miss M £200 for distress and inconvenience as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 April 2023.

Carole Clark
Ombudsman