

The complaint

Miss L complains, in summary, about the customer service provided by Salary Finance Limited ("SF") in relation to a personal loan that she wanted to repay early.

What happened

Miss L borrowed a loan of £23,000 from Salary Finance Loans Limited ("SFLL") in May 2021 to be repaid over 60 months. SF carries out servicing for SFLL. In late January 2022, Miss L contacted SF to ask for an early settlement statement. She received a statement dated 31 January 2022 which said that £21,331.90 was the amount to repay assuming any regular repayments were made on time. This figure was valid to 28 February 2022.

Miss L then asked SF on 8 February 2022 if the settlement amount included the monthly loan repayment for February 2022 as she didn't want to overpay. SF responded on 9 February 2022 that the repayment due on 21 February 2022 should be made as normal on top of the settlement amount.

Miss L then asked SF for another settlement figure on 19 February 2022. Miss L also paid her regular monthly repayment of £594.45 on 21 February 2022. She didn't receive the updated settlement figure and chased SF for it on 9 March 2022. SF then provided a settlement statement dated 11 March 2022 which said she needed to repay £21,534.39 by 19 March 2022, assuming any regular repayments were made on time.

Miss L then contacted SF on 11 March 2022 to say she'd made her monthly repayment in February 2022 which meant that the settlement amount should be reduced.

SF responded to Miss L on 14 March 2022 to say that as Miss L had asked for two settlement figures on 31 January 2022 and 19 February 2022, and as the second settlement figure was raised within 28 days, the second settlement figure wasn't correct. It said that Miss L should contact it after 19 March 2022 so that SF could provide the correct figure. However, Miss L then paid £20,939.94 to SF on 15 March 2022. This was lower than either of the settlement figures she had received from SF.

Miss L heard nothing further from the lender until she contacted it on 31 May 2022 to ask for confirmation that the loan was cleared and that she didn't owe it any more money. She was worried she'd not been told that her loan had been closed down.

SF responded on 14 June 2022 to tell Miss L that she'd sent it an amount which was lower than the settlement figure. An annual loan statement dated 31 May 2022 said that £564.72 was due to it although Miss L said she didn't receive the statement.

Miss L said that as SF had left it so long without contacting her, she wasn't in a position to pay the money owed to it. Miss L would like SF to settle the loan and close it down as she thought she had already settled it.

In its final response letter, SF partially upheld Miss L's complaint. It was satisfied that the balance outstanding was correct, although it acknowledged that it should have taken steps

to communicate this with her much sooner. SF apologised and offered Miss L £50 for the distress and inconvenience caused. It also said that Miss L's credit file hadn't been impacted as it had recorded Miss L's account as up to date and it said that she should contact it to set up a repayment arrangement to repay the balance.

Our investigator's view

The investigator agreed with SF's offer to provide Miss L with £50 compensation as a result of the distress and inconvenience caused due to the lack of notification for over two months that she still had a balance to pay on her loan. He also said that SF shouldn't write off the loan balance, as the settlement letter was clear in terms of what was required.

Miss L disagreed. She said that SF gave her the settlement figure knowing that she was still to make another payment to the loan. So, she had met that settlement figure with the payments she made. She then didn't receive a receipt for the loan settlement amount, and she didn't hear from SF for several months until she sent it an email. If she hadn't emailed the lender, she still wouldn't have heard from it. The amount of £50 was also poor compensation for the error made and the amount of anxiety, stress and time this had caused her and the balance due was unaffordable for her.

As this complaint hadn't been resolved informally, it was passed to me, as an ombudsman, to review and resolve.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss L and to SF on 2 February 2023. I summarise my findings:

I'd noted how strongly Miss L felt about her complaint. I said that I wanted to assure her that I'd carried out an independent review and considered everything that both parties had submitted and would comment on everything that made a difference to the outcome of the complaint.

The situation around early settlements on this loan was explained in Condition 12 of SF's loan agreement, which said that:-

"You can always repay the loan early by giving us notice using the details under Important Information below and paying the amount you owe us including interest up to the date of your payment. If you ask us, we will give you a settlement statement showing the amount needed to repay the loan. We will calculate this amount based on a settlement date of 28 days after the date of your request - or, if you wish to repay the loan on a later date, we will base the settlement date and amount on the date of your choosing."

The two settlement statements SF provided made it clear that the settlement figures assumed regular repayments were made on time, which was in line with this. I also noted that Miss L was told by SF on 9 February 2022 that the monthly loan repayment was to be made as normal on top of the settlement amount. So, I thought SF had made it clear to Miss L that the settlement figures weren't to be reduced by the monthly repayment amount.

Overall, I thought Miss L should have reasonably known from SF's correspondence and the loan agreement that the amount she'd sent it to repay the loan wasn't the amount it had asked her for on any of its settlement statements and following the lender's email on 14 March 2022 wasn't likely to be correct. I couldn't see anywhere that it was agreed between SF and Miss L that this would settle her loan. So, while I realised that Miss L might

have been understandably confused here, I was satisfied that the correct position was that there was an amount outstanding on the loan, based on what she'd paid.

But I also would have reasonably expected SF to have acknowledged the loan repayment and contacted Miss L promptly about the shortfall. SF accepted it should have done this. I'd then taken into account SF's failures to provide settlement figures in a timely and correct way. For example, it took over 20 days to provide a figure in response to the request on 19 February 2022 and then in March 2022 it issued settlement figures but then said these were incorrect. It was likely that these delays would increase the settlement figure by the extra interest accruing over time. It would also have meant that Miss L would have had to make another monthly loan repayment if she had to contact it again after 19 March 2022. SF was also aware that Miss L was repaying its loan with a loan from another provider with a lower interest rate.

I'd asked the investigator to ask SF what the settlement figures would have been had it provided Miss L with prompt and correct settlement figures on 19 February 2022 and 11 March 2022, and in view of my concerns, whether it would consider reducing the outstanding loan balance. I couldn't see we'd received a response to these queries. But I thought the outstanding loan balance should be adjusted in view of SF's delays in providing a correct settlement figure.

I'd noted that Miss L was concerned that she didn't have the money to repay the loan balance to SF. She'd told us that she started to become anxious about the issue in May 2022 when she'd contacted SF and she believed that £75 compensation would be fair bearing in mind the compensation awards this Service makes as set out on our website. I thought £75 compensation was an appropriate amount for SF to pay Miss L here for her upset and inconvenience.

Taking everything into account, I didn't think that SF had acted reasonably. Subject to any further representations by Miss L or SF, my provisional decision was that I intended to uphold this complaint in part, and I set out in it how SF should put things right (which is shown below under the heading "Putting things right – what SF needs to do").

Miss L responded to my provisional decision to say that she had no final points to make.

SF responded to my provisional decision to say it had no further comments.

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.

Given that Miss L and SF have given me nothing further to consider, I see no reason to depart from the conclusions I reached in my provisional decision. It follows that I uphold this complaint in part and require SF to take the following steps:-

Putting things right – what SF needs to do

Pay Miss L £75 compensation for inconvenience and distress.

The outstanding balance on the loan should be adjusted by SF as follows. I note that Miss L asked SF for a settlement statement on 19 February 2022 which was a Saturday. I think it would have been reasonable for SF to have provided her with a settlement statement by 25 February 2022. SF should ascertain the settlement figure which would have appeared in a settlement statement provided to Miss L on 25 February 2022. It should then deduct from

this figure the amount of £20,939.94 (which Miss L paid SF on 15 March 2022) and any other adjustments it would have made as a result of receiving £20,939.94 on 15 March 2022 and the monthly repayment on 21 February 2022. SF should then rework the loan account so that the outstanding loan balance due is adjusted to the amount remaining (after making the above calculation) less any payments made since by Miss L.

If the rework results in a credit balance, this should be refunded to Miss L along with 8% simple interest per year* calculated from the date of the overpayment to the date of settlement.

I note that Miss L may be having financial difficulties. If an outstanding balance remains, then SF should try to agree an affordable repayment plan with Miss L, bearing in mind its obligation to treat her positively and sympathetically in these discussions. Once any outstanding balance has been repaid, SF should remove any adverse information recorded on Miss L's credit file as a result of the early settlement.

*HM Revenue & Customs requires SF to take off tax from this interest. SF must give Miss L a certificate showing how much tax it has taken off if she asks for one.

My final decision

My decision is that I uphold this complaint in part. In full and final settlement of this complaint, I order Salary Finance Limited to pay Miss L the compensation and to take the steps as set out above under the heading "Putting things right – what SF needs to do."

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 28 March 2023.

Roslyn Rawson
Ombudsman