

The complaint

Mr C complains that Salary Finance Limited recorded adverse information on his credit file without telling him. He wants the adverse information removed.

What happened.

Mr C was provided with a £650 loan by Salary Finance in August 2020. Under the agreement he was required to make eight monthly repayments of around £84, with the total amount repayable being around £672.

Mr C said that he understood the payments for the loan would be taken from his income. The payments stopped and he thought he had repaid the loan. He said he wasn't contacted about the account. But when he was looking to get a mortgage, he discovered that there was an issue with his credit file and that Salary Finance had defaulted his account. He said that this issue was having a negative impact on his mental health.

Salary Finance issued a final response to Mr C's complaint in July 2024. It said that it had a responsibility to report accurate information to the credit reference agencies and that the credit agreement set out that information would be shared with the credit reference agencies. It said that it provided several notifications to Mr C of missed payments, and it had informed him of the arrears on his account and provided him with the opportunity to clear these. Therefore, it didn't uphold Mr C's complaint.

Mr C referred his complaint to this service.

Our investigator didn't uphold this complaint. She said that Salary Finance had provided evidence of notifications being sent to the contact details on Mr C's account about the missed payments. She said it was Mr C's responsibility to inform Salary Finance of any changes to his details or circumstances.

Mr C didn't accept our investigator's view. He said that he signed up to the loan when he was young and didn't understand how it worked other than the payments would be taken from his payslips. He said the payments came out of his wages each month without him doing anything. He broke his arm and let Salary Finance know he might not get paid, but he did get sick pay and the loan repayments shouldn't have stopped. He said he continued working for the same employer for a further 12 months, but no payments were taken, and he believed the loan to have been repaid. He said no contact was made during this period and it wasn't until a year later, that Salary Finance tried to get in touch. He said he didn't update his details with Salary Finance as he thought the loan had been repaid. Mr C noted the relatively small amount outstanding on his account and said that had he been aware of this he would have paid it. Mr C didn't accept that he had been treated fairly. He said the adverse information on his credit file was having a negative impact on his mental health as it stopped him getting a mortgage and providing for his family.

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 am sorry to hear of the difficult time Mr C has had due to adverse information on his credit file impacting his ability to get a mortgage. I do not underestimate the upset he has experienced, and I note his comment about not knowing a default was being applied until a long time after this had happened. However, as part of this investigation, Salary Finance has explained that it did not apply a default to Mr C's account, but that it sold his loan to another company in November 2023. So, I have considered the actions that Salary Finance took while it was the owner of his debt and when it sold the debt, to assess whether it did anything wrong or treated Mr C unfairly.

I note the comments Mr C has made about his situation not being fair and I appreciate his strength of feeling on this. But in regard to this decision, I am considering fairness in terms such as whether Mr C was treated in a way that others in his situation would be treated and if Salary Finance acted reasonably given the information it had available to it.

Mr C was provided with a £650 loan with eight repayments of around £84 due each month from September 2020 to April 2021. Salary Finance said that Mr C made the payments up to February 2021 by direct debit and then contacted it to say he wasn't working and asking for his payment to be paused. Salary Finance's contact notes record that Mr C contacted it on 3 February 2021 to say he had broken his arm and wasn't working. A request was raised for Mr C's account to be placed on hold and payments stopped. It appears that although Mr C had asked for his account to be placed on hold, the February payment was still requested.

The notes at this time refer to a 30 day hold on the account and so I can appreciate that Mr C may have thought that the payments would resume after this. However, Mr C was aware when he contacted Salary Finance in February that there were still payments due on his account and the amount outstanding was confirmed to him when he contacted to say the February 2021 payment had been taken. So, while I note Mr C's comment that he thought the loan had been repaid, I find that he did have the information he needed to know that he still had payments due. I also note that having listened to a call with Mr C from August 2024 it is explained that the loan payments were being taken by direct debit and that the mandate was cancelled in March 2021. It was further explained that Salary Finance wouldn't be able to cancel the direct debit and I find it reasonable to accept that Mr C took this action. I note Mr C's comment on the call that he would have done this because he thought the loan had been repaid, but he had been told that he still had an amount outstanding in February 2021 and also after this date.

Mr C contacted Salary Finance in June 2021 and July 2021 about the amount outstanding on his account and he was provided with the balance and bank details for making the payment. He was also advised that an arrangement could be set if needed. So, again I find that Mr C was aware that payment was still needed to settle his account.

Salary Finance has provided evidence that it sent Mr C notices of the arrears on his account and also annual statements. Correspondence was sent to Mr C on several occasions and so I cannot say that it didn't keep him informed of the status of his account.

Salary Finance has said that Mr C's account was sold to another company in November 2023. The loan agreement includes details that explain the loan can be transferred, assigned or sold and so I cannot say that Salary Finance did anything wrong by taking this action. Mr C has said he wasn't told about this. However, Salary Finance has provided evidence that it sent him a letter telling him his debt had been transferred.

Taking everything into account, I do not find that I can say Salary Finance has done anything wrong and so I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 February 2025.

Jane Archer
Ombudsman