

The complaint

Mr S complains about issues caused by Salary Finance Loans Limited in collecting the payments due from him under a fixed sum loan agreement.

What happened

Mr S entered into a fixed sum loan agreement with Salary Finance Loans in May 2023 for a loan of £25,000. He agreed to make 59 monthly payments of £646.96 and a final payment of £646.97 to Salary Finance Loans. Those payments were to be made to Salary Finance Loans by Mr S's employer and it was to deduct the amount of each payment from his salary on each payday.

The payments weren't processed correctly and Mr S complained to Salary Finance Loans in September 2023. It said that any missed payments had been moved to the end of the loan and some adjustments had been made to the payroll element so salary deduction payments would commence as planned. It apologised to Mr S and said that it would credit £75 compensation to his account. The salary deduction payments didn't commence as planned, missed payments were recorded on his credit file, he was sent notices of sums in arrears and Salary Finance Loans recorded the incorrect employer for Mr S.

Mr S complained to Salary Finance Loans again in June 2024 and it said that the service that he'd received hadn't been what it would expect. It said that it would amend his credit file to show that the account was up to date and said that it would credit £75 to his account as a gesture of goodwill. Mr S asked Salary Finance Loans for a settlement quote in July 2024 and he entered into a second charge mortgage and used £24,030.52 of the mortgage to settle his loan from Salary Finance Loans. He wasn't satisfied with Salary Finance Loans' response to his complaint so he complained to this service.

His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that Salary Finance Loans Limited had acted fairly. She thought that given the length of time that the issue persisted, the ongoing stress caused by miscommunication, and the financial uncertainty that Mr S experienced, Salary Finance Loans needed to do more to put things right. She recommended that it should pay Mr S £600 in recognition of the distress and inconvenience caused as a result of this matter.

Neither Mr S nor Salary Finance Loans has accepted the investigator's recommendation so I've been asked to issue a decision on this complaint. Mr S says that the compensation of £600 doesn't adequately reflect the severity of the stress and hardship he endured due to Salary Finance Loans' failure to manage his loan correctly and he's provided a timeline of events. He's detailed the breaches by Salary Finance Loans and says that it should refund the £2,912.08 that he paid above the £25,000 loan amount, with interest, pay him more than £600 for the prolonged distress caused and reimburse the costs associated with obtaining the secured loan.

Salary Finance Loans says that the issue was resolved in January 2024 when all missed payments were moved to the end of the loan and Mr S's payment method was set to direct debit. It says that Mr S was asked to confirm his bank details to reinstate the direct debit but

didn't respond and made manual payments to the account but then didn't make payments in June and July 2024 so the account fell back into arrears. It says that it's willing to offer an additional £350 compensation to Mr S which fairly recognises the impact on him while maintaining proportionality to the circumstances.

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.

It's clear that there have been issues with the payments that were to be made to Salary Finance Loans by deduction from his salary on each payday but I can see that Mr S made some payments to Salary Finance Loans. Salary Finance Loans said in its August 2024 final response to Mr S's complaint that he made manual payments totalling £3,881.80 and that it sent him multiple email reminders regarding the payment due and to reinstate the direct debit mandate but he didn't respond to it to provide the confirmation that it had requested.

Mr S had asked Salary Finance Loans for a settlement quote and it said in July 2024 that the amount required to settle the loan was £24,030.28. Mr S entered into a second charge mortgage and used £24,030.52 of the mortgage to settle his loan. He says that he had to take out the higher interest mortgage to cover the missed payments due to Salary Finance Loans' failure to deduct payments but the loan cost him £2,870 in fees with an interest rate of 15.7% and was payable over 20 years.

I can understand the annoyance and frustration that Mr S was likely to have been experiencing as a result of his monthly payments not being processed correctly but Salary Finance Loans had said that the missed payments would be added to the end of the loan. Mr S was able to make some payments to Salary Finance Loans and he could have provided it with the confirmation that it needed so that further payments could be made by direct debit. I'm not persuaded that it was necessary for Mr S to take out the second charge mortgage. I consider that that was a decision that he made and I'm not persuaded that it would be fair or reasonable for me to require Salary Finance Loans to reimburse Mr S for the costs associated with obtaining the secured loan.

Mr S had agreed to make monthly payments of £646.96 to Salary Finance Loans but he'd paid it considerably less than that and then paid £24,030.52 to settle the loan. Mr S had received the benefit of the loan from May 2023 until it was settled. I'm not persuaded that it would be fair or reasonable in these circumstances for me to require Salary Finance Loans to refund to Mr M the £2,912.08 that he's requested (which is the amount above the £25,000 loan value that he paid and which he says would reset it as though he never had the loan).

Salary Finance Loans has failed to deduct repayments via salary despite that being the agreed repayment method – which it says was due to a payroll migration issue – and has recorded missed payments on Mr S's credit file - but he's confirmed that his credit file has been corrected. Mr S has described other failings that he says have been made by Salary Finance Loans including making multiple contradictory statements regarding his repayment plan and obligations, threatening default action, labelling him as a vulnerable customer, issuing an incorrect settlement figure and providing incorrect employer information. He's also detailed what he says are breaches of the loan agreement by Salary Finance Loans.

Salary Finance Loans partially upheld Mr S's complaint in August 2024 and credited £75 to his account. In response to the investigator's recommendation, it said that it's willing to offer an additional £350 compensation to Mr S which fairly recognises the impact on him while maintaining proportionality to the circumstances. Mr S says that it should pay him more than £600 for the prolonged distress that he's been caused.

Mr S has described the severe stress and hardship and prolonged distress that he's been caused and Salary Finance Loans accepts that the issues have had an impact on him. Having carefully considered all of the evidence on this complaint, including in particular the responses that have been made by Mr S and Salary Finance Loans to the investigator's recommendation, I agree with her recommendation that Salary Finance Loans should pay Mr S a further £600 to compensate him for the distress and inconvenience that he's been caused by Salary Finance Loans as a result of the issues in collecting the payments due from him under the loan agreement.

Putting things right

I find that it would be fair and reasonable in these circumstances for Salary Finance Loans to pay a further £600 to Mr S to compensate him for the distress and inconvenience that he's been caused. I'm not persuaded that it would be fair or reasonable for me to require it to pay more compensation than that to Mr S for those issues or to take any other action in response to his complaint.

My final decision

My decision is that I uphold Mr S's complaint and I order Salary Finance Loans Limited to pay a further £600 to Mr S to compensate him for the distress and inconvenience that he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 April 2025.

Jarrold Hastings
Ombudsman