

The complaint

Mr H complains that Salary Finance Loans Limited continued to take his loan repayments despite being in an Individual Voluntary Arrangement (IVA).

What happened

Mr H says he entered into an IVA in August 2021, but that Salary Finance continued to collect repayments until March 2024 when the loan was sold to a third party without notice. He says he was then told that a default, backdated to 2021, would be applied to his credit file, although this never happened. Mr H says that Salary Finance claimed only to have become aware of the IVA in 2024, but that due diligence when he applied for top-up loans should have identified this sooner. He adds that the credit agreement is misleading, Salary Finance has refused to refund the post-IVA payments and it has breached multiple regulations.

Salary Finance says it was not included in Mr H's IVA and it did not receive any notification, either formally, or from Mr H. It says the loan repayments continued on that basis and it was not required to proactively monitor insolvency records. Salary Finance adds that Mr H's credit agreement entitled it to transfer the account.

Our investigator did not recommend the complaint should be upheld. He did not find Salary Finance had an obligation to check the insolvency register and was satisfied that it had no reason to believe Mr H was in financial difficulties based on his repayment and contact history. Our investigator added that he did not consider Salary Finance had made any errors with the credit file reporting or the account balance.

Mr H responded to say, in summary, that:

- The interpretation of the Insolvency Act 1986 has not been fully explored:
 - Salary Finance was legally bound by the IVA regardless of whether it received notice;
 - It follows that the continued deductions were unfair;
- A default has never appeared on his credit file and it is unclear how Salary Finance would have been able to apply it retrospectively;
- Two missing payments in March 2024 were not adequately addressed;
- Making repayments on time does not preclude financial hardship and Salary Finance should have been proactively checking his status;
- The fact that he switched to a direct debit when he changed jobs was not evidence that he intended to exclude Salary Finance from the IVA – more that it was a desire to maintain financial stability;

- He would question why Salary Finance sold his account to a third party when it was unaware of the IVA and the account was up to date;
- Some elements of his complaint and the time and effort he's put in haven't been considered.

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.

With regard to the interpretation of the Insolvency Act 1986, any legal implications can only be decided in a court of law. This service was set up to resolve disputes between a business and its consumers based upon what is considered to be fair and reasonable.

In this case, it has been acknowledged by all parties that Salary Finance was omitted from the IVA in error and that it did not become aware of Mr H's circumstances until 2024. On that basis, I don't find it was unreasonable that it should continue to take repayments towards the loan.

Ordinarily, a default would be applied to a consumer's credit file once he enters into an IVA. It is not unusual, therefore, for a business to have to backdate such an entry in order for the credit file to be an accurate reflection of the management of an account that is part of an IVA.

As Mr H continued to make payments towards his Salary Finance loan, I am satisfied that his credit file remains an accurate reflection of the management of his loan account. I accept that Salary Finance initially said it would default his account from August 2021, but as Mr H's relevant credit record currently shows no adverse information, I do not find it unreasonable that it has not. If Mr H is dissatisfied with the way in which his Salary Finance account is recorded on his credit file, then Salary Finance should ensure that it is in line with the Information Commissioner's Office guidance as if the debt had been included in the IVA in terms of any balance and default information.

Salary Finance has now confirmed that the March 2024 payments have been correctly allocated.

I have no reason to doubt Mr H when he says his actions with regard to the ongoing payments were due to a desire to maintain financial stability. Equally, I cannot agree that Salary Finance has contravened any of the Financial Conduct Authority's regulations around financial difficulties.

Salary Finance has said that the presence of an active IVA was not confirmed until after it transferred Mr H's debt to the third party debt recovery service (DRS) in March 2024. It explained that Mr H was identified through credit bureau data as *"potentially being subject to an insolvency arrangement"*, and, with its enhanced access to insolvency data, the DRS was able to confirm whether the insolvency was active and apply to be included. The Insolvency Practitioner (IP) confirmed that it was made aware of the debt on 17 May 2024, but that it didn't receive all the relevant information before the IVA ended.

I have also seen the terms and conditions of Mr H's loan account and I'm satisfied that Salary Finance was entitled to transfer the account to a third party in the way that it did.

Either way, I cannot agree that Mr H has suffered a loss as a result of any actions by Salary Finance. I say this because, had Salary Finance been included in the IVA, then Mr H would not have retained his monthly repayments to Salary Finance. Instead the additional funds would have been redistributed to his other creditors, as confirmed by the IP.

Finally, I am aware that Mr H may have some additional complaint points. But as these were not part of his initial complaint to Salary Finance, and were not addressed in its final response, he needs to give Salary Finance an opportunity to consider these points before they can be referred to this service.

In summary, I cannot conclude that Salary Finance has made a mistake, nor that Mr H is entitled to a refund of his payments.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 November 2025.

Amanda Williams
Ombudsman