

complaint

Miss T complains that MEM Consumer Finance Limited trading as PayDay UK ("PayDay UK") has noted in her credit records that she hadn't paid a payday loan in full. She wants the default marker removed from her credit records and compensation for her trouble and upset.

background

Miss T took out a payday loan with PayDay UK, but said it stopped taking money from her bank account in 2014. She assumed that the loan had been paid in full. Later, she found out PayDay UK had recorded in her credit records that she'd not paid the loan in full. Miss T said the default marker was affecting her ability to get car finance.

Miss T complained to PayDay UK, asking why it hadn't contacted her about the debt when it was returned to it by the debt collection agency. It didn't send her a final response letter.

Miss T complained to us. PayDay UK explained it tried to contact Miss T using the phone number and email address it had for her after the debt was returned to it. It also sent evidence that she broke an agreement to repay the debt in 2012.

The adjudicator's view was that PayDay UK wasn't legally required to send Miss T a default notice and Miss T knew the debt hadn't been paid. She didn't think the credit records should be changed or that PayDay UK was at fault.

Miss T disagreed. She said she thought she'd paid the debt in full when the debt collection agency dealt with her. She also didn't think it was fair PayDay UK still recorded the debt as unpaid without asking her to pay when the debt was returned to its control. The adjudicator asked PayDay UK whether or not it contacted Miss T once the debt was returned to it. It sent evidence that she was emailed on the email address Miss T gave PayDay UK for contact. The adjudicator thought that was sufficient as Miss T had previously been told how much she owed and should've known she hadn't paid in full.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Miss T's complaint is about the fact that when her debt was passed back to PayDay UK to collect after the debt recovery agency stopped trading, she wasn't contacted by PayDay UK to let her know she still owed it money. But it's clear PayDay UK did email Miss T on the email address she gave it to tell her to pay. Miss T accepts she didn't give it her new email address. She also accepts she changed her phone number, but didn't tell PayDay UK.

PayDay UK isn't responsible for Miss T not receiving the email or its calls. Miss T says it could've found her and contacted her in other ways. But I note the debt is relatively small and the costs of locating Miss T may well have cost more than the debt itself. I think it's fair and reasonable for PayDay UK to take the view it would wait and see if Miss T contacted it, particularly as it placed a default marker on her credit records. I agree it wasn't legally required to send a default notice, though it's good practice for lenders to tell consumers it intends to record the default given the impact upon credit records. But as Miss T knew she hadn't paid the loan in full and didn't give PayDay UK her new contact details, and it had told

her previously it would record any defaults I don't think it was fair or unreasonable not to send a default notice or further notification in all the circumstances.

Miss T hasn't paid the debt in full. It's clear she wasn't able to pay it for some time before the debt recovery agency became involved as she broke the payment agreement. She was already in default and I can't say the later events are entirely to blame for the effect on her ability to get car finance. I don't think it's unfair or unreasonable for the default marker to be in her credit records. And I don't think it's unfair or unreasonable for PayDay UK to expect Miss T to repay the loan or to have known she hadn't paid in full. I also don't think any further warnings about a default marker being placed on her credit records would've made a difference.

my final decision

My final decision is that I don't uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 9 September 2016.

Claire Sharp
ombudsman