

The complaint

Mr L complains about a default that was recorded on his credit file by NewDay Ltd ("NewDay").

What happened

Mr L held a credit card account with NewDay. In July 2017 the account fell into arrears and NewDay sent a default notice soon after. That default notice stated that Mr L must repay the arrears on the account by 18 August 2017.

In August 2017 NewDay spoke to Mr L over the telephone. Mr L let it know he was experiencing financial difficulties, but he was unable to discuss his finances and set up a repayment arrangement at that time. So NewDay sent Mr L a form to complete which asked about his financial position.

NewDay sent further notices in September 2017 and October 2017 to let Mr L know his account was in arrears and in October 2017, it sent Mr L a letter stating that the account had been terminated and the entire balance of the account was due. Later that month, the account was passed to recovery agents.

Mr L spoke to the recovery agents in December 2017 and agreed a repayment arrangement for £20 per month. The first payment was made in January 2018 and further payments were made in February and March 2018. In March 2018 Mr L received a letter informing him that his account had been sold to another company with effect from 5 February 2018. Mr L then repaid the entire balance at the end of March 2018.

Mr L later reviewed his credit file and found that a default had been registered against this account on 31 January 2018 and raised a complaint. NewDay explained that it was the company who bought the debt that had registered the default. However, that company believed it was NewDay and it was simply continuing to report the information it had received. Mr L remained unhappy and referred his complaint to this service.

Our investigator thought the complaint should be upheld in part. He thought it was NewDay that had recorded the default as it was the owner of the debt on the date it was registered. He didn't think the default had been registered incorrectly as Mr L had been sent the correct notices and had been made aware of the potential consequences of the debt. But he did think NewDay should have provided more accurate information about the default and who applied it. So, he thought NewDay should pay Mr L £100 compensation for the inconvenience it had caused him in providing incorrect information.

Mr L didn't agree so the complaint has been passed to me to decide.

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.

Having done so, I've reached the same outcome as our investigator and for the same reasons.

NewDay told us it hadn't registered the default on Mr L's credit file and that had been done by the company it sold the debt to. But I haven't seen any evidence that's the case and NewDay were the owners of the debt on the day the default was registered. So, I think it's likely NewDay did register the default – and in any case it was responsible for any activities on the account on that date. So, I've then considered whether it followed the correct procedure in registering that default.

NewDay issued a default notice in July 2017. In that notice it asked Mr L to repay his arrears by 18 August 2018 and it explained the consequences if he didn't. It explained that it would terminate Mr L's credit agreement, the full balance would be due immediately, it may sell the debt and that it would share information about the status of his account with the credit reference agencies. It later sent further notices and a letter explaining that the account had been terminated and that entire balance was now due. So, I think Mr L was aware of the actions NewDay intended to take if he didn't repay his arrears, and later the account balance. And I think NewDay made it clear that it intended to report the default to the credit reference agencies if the arrears weren't repaid. So I think NewDay followed the correct process in registering a default.

I can see there was a long period of time – around six months – between the default notice being sent and the default being registered. But it seems that during that time NewDay did attempt to work with Mr L to assist him with his financial difficulties – it placed a hold on the account, attempted to contact him to discuss his situation and wrote to him several times. So, while there was six months between the default notice and NewDay registering the default, I think it's clear that it was trying to work with Mr L during that time, which is what I would have expected it to do.

I can see that Mr L spoke to NewDay's recovery agents in December 2017 and set up a repayment plan. Mr L has showed us that he made these repayments as he was expected to – and so he says NewDay shouldn't have registered the default. But this plan was set up several months after the account had gone into arrears and by that time NewDay had already made it clear that the entire balance of the account had become due. So I don't think this informal repayment arrangement was enough to stop the default being registered. And at the time the default was registered, the account had already been closed and passed to a third party – so I think recording a default as the status of the account accurately reflects the position of the account at the time.

Mr L has now repaid the account in full and wants the account to be recorded as satisfied not settled on his credit file. The way this information is viewed and the wording used is often specific to the credit reference agency so this may look different depending on which credit reference agency Mr L obtains his report from. In this case settled is used to show an account that was in default but has later been repaid. As I don't think NewDay was wrong to record a default when the account was active, it follows that I don't think Mr L's credit file is showing any inaccurate information for this account.

I have also considered the level of service NewDay provided. I think NewDay should have been clearer about who registered the default and that would've prevented Mr L from having to speak to another company about this issue. I also think it could've been made clearer to Mr L that by the time he entered into the informal repayment arrangement, it was already too late to prevent the default being registered on his account as the account had been closed several months before. So taking all of that into consideration, I think NewDay should pay Mr L £100 compensation for the poor level of customer service he received.

My final decision

My final decision is that I uphold this complaint in part. NewDay Ltd should pay Mr L a total of £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 April 2020.

Sara Falzon
Ombudsman