

The complaint

Mr R complains that Oakbrook Finance Limited trading as Likely Loans (Likely Loans) registered a default on his credit file.

What happened

Mr R had a loan with Likely Loans. He was having difficulty in making the repayments. He set up a temporary payment plan with them in October 2019. This needed four monthly payments between then and January 2020. He realised he couldn't make the payment due on 27 December 2019 and emailed them on 20 December 2020 to ask if it could be paid in January 2020. He didn't get a reply. The January payment was also missed. On 30 January 2020, he received a seven-day warning that his debt was to be sold to a debt collection agency. He replied to this. Two days later he got a call from the debt collection agency. In February 2020, his credit file was marked with a default dated 28 January 2020.

Mr R complained that he had tried to come to an arrangement with Likely Loans by emailing them in December 2019, but they didn't reply and went ahead with its default procedures. And Likely Loans didn't allow the seven-day notice period to pass before passing his debt to a debt collection agency. He asked that the January 2020 default on his credit file be changed to December 2019.

In April 2020, Likely Loans replied and said that they had acted within the terms of its agreements with Mr R. A temporary arrangement had been set up in October 2020. This meant that Mr R had to make four monthly payments in October, November and December 2019 and then in January 2020. Two payments were made in October and November 2019. The next two were missed. Then two payments were made in February and March 2020. As Mr R hadn't kept up the payments, the arrangement was cancelled, and a default registered on 28 January 2020. The marker on his credit file was accurate and would remain. They agreed that they hadn't adequately warned Mr R of the risk of default if he didn't maintain the payments under the temporary agreement.

Mr R brought his complaint to this service in July 2020. Our investigator looked at what had happened. She said that the email dated 20 December 2019 hadn't been received by Likely Loans. The email address used was where a communication was already running – so they hadn't received Mr R's request. But Mr R hadn't followed up with Likely Loans either. Mr R had previously received a notice of arrears in September 2019 which said he was then behind in his payments for three months. So, because Mr R had missed two payments of his new payment plan, a default was correctly applied to his account. She agreed that the debt had been passed to the debt collection agency too quickly.

Mr R asked that his complaint be reviewed by an ombudsman.

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 can see where Mr R is coming from. He was struggling to make repayments and was trying his best to deal with Likely Loans to come to the best way forward. He tried to contact them in December 2019 to say he needed more time to pay and nothing happened. He missed that month's payment and the next one. And he then got a default notice and the debt was quickly sold to a debt collection agency. My job here is to see if Likely Loans did anything wrong, or treated Mr R unreasonably.

It was really unfortunate that Likely Loans didn't get his email sent in December 2019. They say that was because it went to an email address only used for "live" cases. I've seen Mr R's file with Likely Loans and there's no record of it, so I have to accept what they've said here.

Turning to the default. The Information Commissioner's Office (ICO) gives guidance for businesses when applying defaults. This says: *"As a general guide, this may occur when you are 3 months in arrears... If an arrangement is agreed... a default would not normally be registered unless the terms of that arrangement are broken."*

The important thing here is that Mr R was already in default before the new arrangement was put in place. On 2 September 2019, he was sent a notice of arrears – I can see there were three months of arrears then. On 4 September 2019, Likely Loans sent a Notice of Default. This said that if the arrears were not paid, then a default may be put on Mr R's credit file and the debt be passed to a debt collection agency. The arrangement then agreed in October 2019 didn't replace this as it said *"If your arrangement fails and we can't contact you to find out why, we may need to return to collection activities as per the terms and conditions of our agreement"*. And unfortunately, the new payment plan wasn't followed and therefore the original default from September came back into play.

Looking at the transfer to the debt collection agency. I can see that Likely Loans wrote to Mr R on 30 January 2020 to say that *"Our records show that your Likely Loans account still remains in arrears. Please get in touch with us in the next 7 days to discuss your account. If we do not hear from you we will send your account to a Debt Collection Agency"*. Mr R says he was contacted by the agency only two days later. And he said he emailed Likely Loans immediately he got the letter. So, I can agree that Likely Loans were too quick to pass the debt to the agency. But I can't see that there was a legal requirement to wait seven days – it was just bad service to do what they did. Also, Likely Loans then agreed in February 2020 to take the debt back from the agency, so there wasn't any obvious loss to Mr R.

Mr R has asked whether Likely Loans will register the default as December 2019 – when the payment under the temporary arrangement was missed. We asked Likely Loans. They said that they wouldn't do this - they were giving him the chance to bring payments up to date. This seems to be a reasonable approach to take here.

I can see all this has been frustrating for Mr R, and he will be disappointed. But I cannot see that Likely Loans have done anything wrong here and therefore I won't be asking them to do anymore.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 February 2021.

Martin Lord
Ombudsman