

## The complaint

Mr T is complaining that Ikano Bank AB (publ) did not notify him a default would be registered. He's also unhappy with the registration date of the default.

## What happened

Mr T took out a loan with Ikano. He later experienced financial difficulties, so he came to an arrangement with Ikano through a third party debt management charity who arranged lower monthly payments.

As the monthly payments were lower than the contractual monthly payments Ikano sent a default of notice, in line with the terms and conditions Mr T had agreed to. The account defaulted and the default was registered with a date of 14 May 2015. The loan was sold to a third party debt collector who also registered a default but with a later date.

Mr T complained to Ikano. He says he did not receive the default notice and didn't realise that by making an arrangement with Ikano through the debt management charity that this could result in a default. He asked for the defaults to be removed from his credit file from both Ikano and the third party debt collector. He also wasn't happy that Ikano sold the debt while he was maintaining the monthly repayments as part of an arrangement.

Ikano did not uphold his complaint. In summary they said, they sent the default notice to his registered address, they felt the third party debt collector had the right experience to handle his debt and that they had amended the default date to 14 October 2015 to reflect the actual date the account should have been defaulted.

Mr T was unhappy with the response so brought his complaint to our service. He also said that by moving the default date this impacted on his plans to buy a house as the default would stay on his credit file longer than if he hadn't complained.

Our investigator didn't uphold Mr T's complaint as they said although Ikano had changed the date of the default it was now accurate. Mr T asked for his complaint to be referred to an Ombudsman as he didn't agree with the view given.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

*Looking at Mr T's credit file I can see both defaults. One has been registered by Ikano and the other one by the third party debt collector, which he doesn't feel is fair. Here, I can only look at the actions of Ikano in relation to the information they've recorded. I say this because they sold the debt in 2020 (which they were entitled to do because there was provision within the agreement) at which point it ceased to be their responsibility. Mr T can pursue a complaint directly to the third party debt collector about the default they have recorded. But for the avoidance of doubt I won't be making any further comment on the other default, as I*

*can only look at the issues relating to Ikano's actions.*

*What I have to consider first here is has Ikano treated Mr T unfairly in recording a default because he says he didn't receive the default notice. Ikano have provided screenshots from their computerised system to prove that the default notice was sent and to the registered address they held for Mr T. So I'm satisfied they did what they should've done.*

*I've also looked at other information Ikano have provided. There is a note recorded four days after the system registered the default notice being sent. This says, "cust requested if default could be removed". I've thought about this and in my view this indicates Mr T received the default notice because he was asking for it to be removed. As part of my review, I asked Ikano for further any further information about this but they have said due to the passage of time they can't now retrieve the call. I don't think this is surprising given the call took place several years ago.*

*I've also looked at the credit agreement. There is a section covering defaults (section 9). This covers off any proposal to make a voluntary or any other arrangement. As an arrangement was made through the debt management charity for a lower payment of the contractual payment then I don't think it was unreasonable for Ikano to issue the default notice. I say this because the arrangement was a long term plan so the debt wouldn't be paid in line with the original agreement. As Ikano have a requirement to accurately reflect payment history on a credit file I don't think they have acted unfairly in registering the default.*

*The default notice states that if no action is taken by the date shown that Ikano "will terminate (the) agreement and issue (Mr T) a Statement of Default". I've asked Ikano if they issued a statement of default and they said that this wasn't issued in the usual timescale or not at all. No explanation can be given why this wasn't sent.*

*So I've considered whether the Statement of Default would have made a difference to the complaint. I don't think it would have stopped a default being registered, as it should have been issued after the event. But I do think it may have brought to light an incorrect date being registered for the default, or at least ensured the correct date would have been registered initially.*

*I think that the correct date of default should be 14 October 2015. Ikano realised the wrong default date had been recorded in their response on 22 July 2020 to Mr T's complaint. I say this as this is when Ikano say the first arrangement with the debt management charity would have been paid and therefore as per the credit agreement this would start the default.*

*I think that by originally registering the default date of 14 May 2015 this did have an impact on Mr T. I say this because he has told us about plans of buying a house once six years passed and the default was removed from his credit file. While I accept 14 October 2015 is the correct date for the default to be registered and Ikano have acted to ensure this is accurate, this was only amended after Mr T made a complaint. I'm not persuaded it's fair to penalise Mr T as a result of him bringing this information to light, even if this is the date the default should've been registered.*

*Mr T has been clearly planning for the default to be removed in May 2021 and as a result of the change this has had an impact on him. What I think would be fair is for Ikano to recognise the impact the error has had on him and to pay him compensation to reflect this. As if he had not complained the default date would have probably stood as the earlier date.*

*The default date was requested to be changed by Ikano nearly five years after Mr T had actually defaulted and this would clearly impact Mr T as he was planning for nearly five years, to then have the date of default pushed to a later date, when he thought the default*

wouldn't show on his credit file in the final year.

*I can see that this would have an impact on Mr T and be very frustrating for him. I think Ikano should pay Mr T compensation for this. I say this because if they had registered the default with the correct date Mr T would have been able to plan for when this is removed from his credit file in October 2021, instead of amending the date of default nearly five years after the fact and only when Mr T brought a complaint to Ikano was this realised. But, because of the error, through no fault of his own, he had been planning for May 2021. As a result of this Mr T had a loss of expectation from the information he was originally given. I don't think this is fair for the reasons I've already given and so I think Ikano should pay Mr T £100 for the impact their original error has caused."*

I invited both parties to let me have any further submissions before I reached a final decision. Ikano accepted my provisional decision. Mr T did not accept my provisional decision. In summary he said that while he appreciated the intent of compensation for the inconvenience he suffered due to the incorrect date of the default being registered, he feels this adds weight that the default had not been reported accurately and should be removed from his credit file. Mr T says that as he rang Ikano days after they issued a default asking this to be removed is clear evidence that Ikano had registered a default before the notice was sent.

Mr T also said that he's spoken to the third party debt collector regarding the duplicate default and they've said that they're just reporting what Ikano have told them and so this should be remedied as part of this complaint.

### **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've thought about what Mr T has said about him ringing Ikano days after they sent a default notice is clear evidence that Ikano had registered a default before they had sent a default notice. But I'm not persuaded by this and I'll explain why.

Although Mr T rang Ikano about the account defaulting, I've seen no evidence from either party that the default had been registered before the default notice had been sent. As Mr T had rang Ikano regarding a potential default this may suggest he did receive the default notice and could've been asking if a default could be removed at a later date, for example if he paid the arrears. But ultimately, I'm satisfied that Ikano registered the default after Mr T hadn't made the required payment for the reasons given in my provisional decision.

I've considered what Mr T has said about the information that the third party debt collector has told him regarding them registering a default on his credit file. So although I had said in my provisional decision I wasn't going to consider this point, I asked Ikano why they had given the third party debt collector the information they did regarding what Mr T had said is a duplicate default.

Ikano said that when Mr T's debt was sold on, the entry was removed automatically from two major credit file providers, but they still report this to another credit file provider. Ikano said this will report as a defaulted account with a "sold to (Credit Account Information Sharing) CAIS member" flag with the date it was sold. The balance will also be reporting as zero, as Ikano are no longer collecting on the debt. When the account is sold, the relevant agency who owns the debt will register an entry on Mr T's credit file. The debt the third party debt collector reports to the credit agency will be a continuation of the data they hold. The debt with Ikano defaulted and they see no reason why the third party debt collector should not

continue to report that. They also gave an example saying if the third party debt collector didn't report this, it would effectively show a new facility opened which is being maintained, which would be inaccurate to report as it stems from a defaulted debt.

I've looked at the credit report that Mr T had sent us previously. This does show that under the Ikano debt that this is showing as "satisfied" under the current balance and it states "debt assigned CAIS member". The last balance is showing as £0. So I'm not persuaded that this is a duplicate default as Mr T has said. If Mr T wishes, he will be able to add a "notice of correction" to his credit file. This is a short statement that he can add to individual items in his credit report which explains why a debt is showing and why this is not reflective of his general approach to meeting repayments. The notice of correction will then be available for other companies to see if they look at his credit file.

In summary, Mr T's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mr T will be disappointed with the decision, but I hope he understands my reasons.

### **Putting things right**

In my provisional decision I suggested Ikano should pay Mr T £100 for recording the incorrect default date on his credit file and I'm still satisfied this is a fair outcome for the reasons given previously.

### **My final decision**

Ikano Bank Ab (publ) should pay Mr T £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 June 2021.

Gregory Sloanes  
**Ombudsman**