

The complaint

Mr P complains that Retail Money Market Ltd trading as Rate Setter unfairly terminated his loan account and reported a default on his credit file.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Rate Setter approved a loan for Mr P in November 2020. Mr P made his contractual monthly payments until April 2021. Mr P spoke with Rate Setter and explained there were issues receiving his pay from his employer. Over the following months, Mr P spoke with Rate Setter several times and advised he was seeking new employment.

On 14 July 2021 a default notice was issued. On the same day, Rate Setter agreed to place a two month hold on collections activity after Mr P notified it he'd started a new job. On 15 September 2021, the day after the collections hold ended, Rate Setter tried to get in contact with Mr P.

On 17 September 2021 Rate Setter sent Mr P another default notice that said there were arrears of £1,215.54 that should be cleared by 3 October 2021 to avoid the loan being terminated.

On 28 September 2021 Mr P called Rate Setter and agreed to start his normal payment again from the following month. The call handler didn't notify Mr P that his loan was about to close, leading to a default being recorded on his credit file. On 28 October 2021 Mr P emailed Rate Setter and said he wanted to discuss making a reduced payment. Mr P went on to speak with Rate Setter and it said his loan had been closed and passed to a debt collector.

Mr P complained and Rate Setter sent him a final response. Rate Setter said its agent should've told Mr P that it was closing his account and reporting a default when he called on 28 September 2021 and offered him £30 to apologise. But Rate Setter didn't agree it had acted unfairly by closing his account and recording the default.

Mr P referred his complaint to this service and it was passed to an investigator. They upheld Mr P's complaint and recommended that Rate Setter remove the default from his credit file and pay him £100. Rate Setter asked to appeal so Mr P's complaint has been passed to me to make a decision.

What I've provisionally 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 agree Rate Setter's call handler made a mistake on 28 September 2021 when they failed to notify Mr P his account was due to be closed and defaulted. Mr P's account had been in

arrears for around six months at this stage and I understand he wanted to arrange for his payments to resume when he called. But I've reached a different view to the investigator. Whilst I agree Rate Setter made a mistake, I don't think the error impacted whether Mr P's loan would close. I'll explain why.

Industry guidelines say a business can move to close a loan and record a default when payments haven't been made for around three to six months. In this case, Mr P's first missed payment came about in April 2021 and no contractual monthly payments were made before the loan was closed at the end of September 2021. I can see a payment of £30 was made in June 2021, but that didn't have the effect of substantially reducing the level of arrears. So I'm satisfied there was a sufficient level of arrears on Mr P's loan to meet industry standards when Rate Setter closed it.

Businesses need to treat customers experiencing financial difficulties positively and sympathetically. I can see Rate Setter gave Mr P breathing space and applied collections holds. On 14 July 2021, Rate Setter agreed to place a hold on the loan after Mr P explained he had returned to work. But following the end of the two month hold, no contact from Mr P was received. Rate Setter's contact notes show it tried to get in contact with Mr P without success. So Rate Setter issued an updated default notice on 17 September 2021 that said Mr P needed to pay £1,215.54 by 3 October 2021.

When Mr P called on 28 September 2021 he agreed to make his contractual monthly payment the following month, but didn't reach an agreement to repay the arrears. I agree the call handler failed to offer the right advice or information to Mr P. But to tell Rate Setter to remove the default, I'd need to be satisfied it was the way his call was handled on 28 September 2021 that was the main reason his loan defaulted. And I'd need to be satisfied Mr P was in a position to clear those arrears before 3 October 2021, the date given in Rate Setter's default notice.

I'm sorry to disappoint Mr P, but I haven't been persuaded the way the call was handled was the key issue that led to his loan closing. At the point Mr P called on 28 September 2021 there were arrears of £1,215.54 on the account. I note that on 28 October 2021 Mr P sent Rate Setter an email asking to reduce his monthly payment. That indicates Mr P wasn't in a position to restart his normal loan payment or repay arrears. Mr P later found out his loan had been closed and passed to a debt collector. In my view, the information available indicates the closure of Mr P's loan wasn't related to the way his call was handled on 28 September 2021. I'm satisfied Mr P's loan was fairly defaulted due to the arrears.

That being said, I can see the way Mr P's call was handled has caused him a reasonable level of distress and inconvenience. I don't doubt that Mr P thought he'd agreed more time to bring his account up to date. But for the reasons I've give above, I'm satisfied Rate Setter's decision to close and default Mr P's account at this point was reasonable. I think it's fair that Rate Setter compensates Mr P for the trouble and upset caused by the way it dealt with his call. Our investigator recommended an award of £100 but I think £200 more fairly reflects the upset caused. So whilst I don't intend to tell Rate Setter to credit file to remove the default, I do intend to increase the settlement.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Mr P spoke with our investigator and explained he would've borrowed money from family to repay the arrears and avoid the default if he'd been given the right information on 28 September 2021. Rate Setter confirmed it had nothing further to add.

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'd like to thank Mr P for his comments in response to my provisional decision. I'm very sorry to disappoint Mr P but I haven't been persuaded to change my view in this case. I agree the call handler on 28 September 2021 failed to make it clear Mr P's account would shortly close and default. But, as I said in my provisional decision, that came after a period of around six months with no payments being made.

Mr P has told us he would've approached family members for the money to pay back arrears. But given the length of time the account had been in arrears and correspondence Rate Setter sent Mr P about what it intended to do, I haven't been persuaded it was unfair of it to close the loan and record a default on his credit file. I still don't think Rate Setter should remove the default from Mr P's credit file, for the same reasons I gave in my provisional decision.

I still think the fairest way to resolve Mr P's complaint is for Rate Setter to pay him £200 for the distress and inconvenience caused by the way his call was handled on 28 September 2021.

My final decision

My decision is that I uphold this complaint and direct Retail Money Market Ltd trading as RateSetter to pay Mr P £200 (less any compensation already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 April 2022.

Marco Manente
Ombudsman