

## The complaint

Mr S complains that Arrow Global Limited (Arrow) unfairly recorded a default on his credit file.

## What happened

Mr S had a debt management plan (DMP) with a business that for the purposes of this decision I'll call S. One of the accounts included in the DMP was a debt he owed to Arrow.

Arrow had another company administering the account on its behalf – for the purposes of this decision – I'll call them N, but as they are working on Arrow's behalf Arrow have responsibility for their actions here.

In January 2021 Mr S says he wrote to Arrow and N to ask for a three-month payment holiday – from February until April - he explained that he had caught Covid-19 in the previous November and had been struggling to maintain his payments since then. He didn't hear back from either business and so wrote again in February 2021, by which point Mr S' father had also become ill, and he was looking after him. Mr S also contacted S to let them know what was going on.

Arrow says it never received any notifications from Mr S regarding the payment holiday and so it wasn't granted.

Mr S didn't make any payments towards his DMP in February, March and April 2021 and resumed in May.

As Mr S hadn't made payments since January, and Arrow say there was no payment holiday in place - on 5 April 2021 they issued a notice of termination giving Mr S until 14 June to repay his account in full. The letter explained that if Mr S didn't repay the full balance by this date a default would be reported to his credit file.

Mr S contacted N explaining that he thought he'd been granted a payment holiday as he had requested back in January. He says he believed this to be true because all of his other creditors had accepted the payment holiday.

N wrote to Mr S on 5 May the letter said:

*"You previously notified us that you had been affected by the ongoing Covid-19 pandemic, either directly or via a debt management company. Upon receiving this notification, we granted you a payment deferral and you should have received a letter with a confirmation of steps we're taking and impact this will have on your account. Unfortunately, due to a system error, we did not provide you with this confirmation letter. Please accept our apologies for this error and any inconvenience it might have caused you."*

Arrow carried on with the termination and recorded a default on Mr S credit file.

Mr S complained about this to Arrow asking for the default to be removed, they didn't uphold

it. They said N didn't receive the request from S to put in place a payment holiday until May 2021.

Mr M was unhappy with their response and so brought his complaint to this service. Our investigator thought the case should be upheld, she said she was satisfied that Mr S had requested the payment holiday as he had shown copies of the letters, he said he'd sent to Arrow and N. She also said it was ok that Arrow had sent the notice of termination as they said they hadn't received these letters but once Mr S contacted them after the letter, they should have taken actions to resolve the matter before going ahead with the default. She asked Arrow to remove the default and pay Mr S £300 in compensation. Arrow disagreed and so the matter was passed to me to decide.

I wrote to both Arrow and Mr S explaining my initial thoughts on the case and asked Arrow if they would like to change their position based on what I'd said (below):

"Mr S was in a Debt Management Plan (DMP) - he has shown evidence that he contacted the DMP provider to arrange a payment holiday for February, March and April 2021. This was successfully executed with all his other creditors.

The investigator previously upheld the complaint and asked Arrow to remove the default and pay Mr S £300, as she felt there was enough evidence to show he had written to request the Covid-19 payment holiday. And that even if that hadn't been put through as it should have been Arrow had been notified of the problem in enough time to stop the default from happening and correct the situation. Arrow didn't accept the findings.

I am also intending to uphold Mr S' complaint but for slightly different reasons and wanted to let you know my thoughts before issuing my decision to see if Arrow wants to change its position.

- Mr S was in a Debt Management Plan (DMP) - he has shown evidence that he contacted the DMP provider to arrange a payment holiday for February, March and April 2021. This was successfully executed with all his other creditors.
- Mr S has told us that he also wrote to Arrow and N to request this payment break.
- Mr S has provided a copy of a letter from N dated 5 May 2021 the contents are noted above
- Arrow issued a Notice of Termination of Agreement on 5 April 2021 asking for full payment on the account by 14 June 2021.
- Mr S made Arrow aware of the issue prior to 14 June 2021 - but Arrow went ahead and terminated the account and recorded a default.

During the global pandemic, the FCA issued guidance that set out how businesses should deal with consumer's whose circumstances had been impacted by Covid-19. This explained businesses should agree to apply payment holidays for up to six months.

Based on the above I think the letter from N, along with the fact that all other creditors agreed a payment holiday for that time period, supports what Mr S has told

us that he requested a payment holiday. The Letter from N who were dealing with the account on behalf of Arrow, show it was more likely than not that N and therefore Arrow were aware of the request. But that because of a system error didn't process it properly. As such the Notice of Termination should never have been issued and therefore the default should not have been applied. I understand this may have been caused by a communication breakdown between N and Arrow, but this should not cause detriment to Mr S.

Because of this I intend to instruct Arrow to remove the default and pay Mr S £500 for the upset and worry it has caused him, and the for the impact this has had on his credit file.

Arrow responded disagreeing, in summary they said:

- Them nor N received the letters from Mr S and weren't contacted by S to request the payment holiday until May 2021, after the notice of termination was sent out, so they don't agree it shouldn't have been sent.
- Its unfair to say Arrow or N miscommunicated as there is no evidence Mr S or S made contact until after the notice of termination had been sent.
- On the balance of probabilities, they believe there is a strong case to say Mr S didn't update his circumstances until May 2022 after, the notice of termination was sent.

Mr S responded to my initial thoughts saying he agreed with them.

### **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.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. However, I've given careful consideration to all of the submissions made before arriving at my decision. Where there's a dispute about what happened, I've based my decision on what I think's more likely to have happened in light of the evidence. Having done so I will be upholding this complaint, and for broadly the same reasons I've set out above, I'll explain.

I have found Mr S' testimony to be strong – he has told us that he sent letters to both Arrow and N. He has dated photos of the letters, And I find it hard to believe he would have written them and not sent them. He has also told us that he contacted S to advise them of his situation. I have seen an email response from S to Mr S dated 2 February in which they ask him to fill out the budget review as he is struggling with payments for the next three months. Based on this and the fact that all of his other creditors agreed to the payment holiday for February until April, I think its fair to say its more likely than not Mr S applied for the payment holiday through S. And I have no reason to disbelieve he also sent the letters direct to Arrow and N, as he said he did.

Arrow has said they think the letter from N on 5 May 2021 is in response to contact from S on 29 April and there is no evidence of any errors, but that doesn't seem likely. I say this because:

- The letter said there had been a system error
- The contact from S on 29 April 2021 doesn't ask for a holiday – its one line on some system notes that say "customer impacted by covid"

- The letter says the holiday had previously been granted if it had then it would have been in place in the previous months – supporting that Mr S asked for it earlier
- Arrow has told us the holiday wasn't put in place until June, when Mr S was making monthly payments and didn't need the holiday as he was able to meet his monthly payments again.

Both of the last statements can't be true together, so I think its more likely than not that there has been an error somewhere between N and Arrow. Therefore, on balance I think the payment holiday was requested when Mr S said it was and the termination notice shouldn't have been sent to Mr S.

I've gone on to think about Arrow's argument that its more likely Mr S didn't update S, Arrow or N with his circumstances until after the notice of termination was sent. And even if I accept this to be the case (which to be clear I don't), I think Arrow had a duty to treat Mr S fairly and take into account what he was saying about at that time . As this would be in line with the Financial Conduct Authority's guidance around how business' should deal with consumers that were affected by the covid-19 pandemic. The fair and reasonable thing for them to have done at that point would have been to retract the notice of termination and apply the payment holiday retrospectively. As I've already said though, I'm satisfied Mr S did apply for the payment holiday and an error occurred preventing this from being applied. So, I will be instructing Arrow to remove the default from Mr S credit file.

When thinking about the distress and inconvenience that has been caused here, I've taken into account Mr S circumstances. Mr S having been ill himself was caring for his sick father, who sadly passed away, all while trying to deal with something that should have been relatively simple for Arrow to put right. So, I can see this would have caused him a huge amount of worry at a time when he was vulnerable.

In addition to this Mr S has had the impact of a default, that shouldn't have been there, on his credit file since June 2021. This has also caused him a great deal of worry thinking that this would be affecting him for six years, especially as he has reduced the debt he owes significantly in the time since his requested payment holiday. I think £500 is a fair payment to reflect the impact caused here, and inline with our approach to compensation payments.

### **Putting things right**

To put things right Arrow should now:

- Remove the default from Mr S credit file
- Pay Mr S £500 for the distress and inconvenient caused by the default being applied unfairly.

### **My final decision**

Your text here

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 October 2022.

Amber Mortimer  
**Ombudsman**