

The complaint

Miss V is unhappy NCO Europe Limited didn't let her know that her credit card account had been defaulted.

What happened

Miss V held a credit card where the debt was transferred to a company who I'll refer to as A – they then became the legal owners of the debt. While A are the legal owners of the debt, NCO manage this debt on behalf of A and have done so since October 2019. NCO have confirmed A are responsible for updating information about the account on Miss V's credit file, such as defaults. However, NCO are responsible for reporting the account activity to A and for sending out correspondence such as a default notice.

In August 2021, Miss V says she received a letter from NCO letting her know that due to a technical issue regarding her contact preference settings on her account, a default notice that should have been sent to her was incorrectly suppressed by NCO's system. So, Miss V wasn't told about the default when this marker was applied to her credit file in March 2021 by A.

Miss V says having a default on her credit file had an impact on her as she wanted to transfer her existing credit card balances to credit cards where she wouldn't have to pay any interest. However, she's not been able to successfully apply for credit cards that offer this benefit and instead, has had to pay a significant amount of interest.

NCO issued a final response letter in October 2021 saying payments hadn't been received from April 2020 to when their final response letter was issued. Therefore, two regulatory letters were sent to Miss V – one was a notice of termination of agreement which was issued on 7 January 2021 and the other was a termination letter which was issued on 17 March 2021. These letters were sent because NCO said Miss V hadn't adhered to actions that were required to prevent a default from being registered. NCO also said Miss V was sent monthly statements which set out clearly what she needed to do and what would happen if she didn't make the payments.

Later on, NCO explained that when initially reviewing this complaint, they hadn't realised Miss V's account had been identified as one where they hadn't actually sent the regulatory letters, due to her opting out of communication via letter in December 2019. NCO acknowledged they hadn't correctly sent the letters to Miss V which would have notified her of the default. So, this was why they sent Miss V an apology letter in August 2021. NCO also confirmed that because of this, the default was going to be removed from Miss V's credit file.

Miss V checked her credit file and found that the account had completely disappeared from her credit file. Miss V queried why the account was no longer appearing despite having an outstanding balance of around £900 on the account. NCO say A have confirmed that when they became the legal owners of Miss V's account, they'd made a business decision to not report the account on her credit file unless the account had defaulted. As a result of the default now being removed, NCO say Miss V won't see the account on her credit file (unless it defaults). NCO have since confirmed while Miss V stopped making payments in April 2020,

she's set up a repayment plan of £50 a month from June 2022 – this would mean her final payment would be taken in October 2023.

Our Investigator looked into Miss V's complaint. In summary, she explained that Miss V's credit report showed other adverse information. So, our Investigator didn't feel she had enough evidence to suggest that Miss V was declined for credit as a direct result of the default that NCO failed to make her aware of. However, our Investigator recognised that NCO ought to have sent information to Miss V about the default before it had happened. So, our Investigator agreed with NCO's actions to have the default removed. Our Investigator also said even though NCO said the default would be removed in their letter of August 2021, this hadn't happened at the time of our Investigators view in February 2022. So, she asked NCO to pay Miss V £150 compensation for the distress and inconvenience caused to her.

NCO agreed with our Investigator's findings. However, Miss V didn't. Miss V says she received two letters from A confirming that she'd need to make a payment by 1 April 2022 and the other said she'd need to make full payment by 15 May 2022. Miss V says she's aware she will need to start making payments towards the outstanding debt again, but she didn't expect to receive demands for payments while her complaint was ongoing with our Service. Miss V also said she calculated the total cost of interest she's had to pay towards her credit card since the default. Miss V says the default was incorrectly on her credit file for a total of 11 months. For this period, Miss V has calculated the interest to be £682.28 which she says she wouldn't have had to have paid had she been able to transfer her balance to a 0% interest credit card. Because of this, Miss V has asked NCO to compensate her 50% of the interest, which is £341.14 to resolve her concerns. 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.

The crux of Miss V's complaint is that she didn't know about the default on her credit file as she wasn't made aware of this by NCO. I need to make clear that I can only look into the actions of NCO who managed the debt on behalf of A. I'm not able to look into anything A may or may not have done as this complaint isn't against them.

NCO have acknowledged there was an error in letting Miss V know about the default – they said that when she registered her account online in December 2019, she had opted out of being contacted by NCO via phone call, letter and text messages. And that this created an issue with sending out regulatory letters due to Miss V's communication preferences. So, I'm satisfied that something went wrong here, and that Miss V didn't receive notification that the account was defaulted.

To rectify this, I can see NCO sent out an apology letter in August 2021 and arranged to have the default removed. However, NCO's final response letter of October 2021 said something different to what was in their apology letter – they explained that the account had been correctly defaulted even though they told Miss V two months before that the default was going to be removed from her credit file. So, I think this caused some confusion.

Despite NCO's letter saying it could take six to eight weeks for the default to be removed, Miss V has provided us with evidence of her credit file from January 2022 and I can see the default was still there. It wasn't until February 2022 that Miss V confirmed the default had been removed from her credit file. It's not clear why it took longer than the timeframe mentioned in NCO's letter for the default to be removed. Nonetheless, I think this caused

Miss V inconvenience as she had to raise the matter again with NCO in order to get the default removed.

Now the default has been removed, Miss V says the account is no longer appearing on her credit file at all. I can appreciate this may be confusing for Miss V; however, NCO have told us that A said the account will only appear if a default is present. In any case, it seems from what NCO have told us about their responsibility of this account that it is A who are responsible for updating Miss V's credit file with any information about the account. So should Miss V have a complaint about how the account is now being reported on her credit file, it's likely she'll have to raise this with A.

NCO have confirmed the account hasn't terminated and that Miss V logged into NCO's website on 9 May 2022 to set a repayment plan for £50 a month from 28 June 2022. NCO have explained this would mean Miss V's final payment would be taken on 28 October 2023. So, Miss V will need to continue to make the monthly repayments she set up in order to clear the debt.

Miss V has told us that having a default on her credit file led to her being declined credit cards where she didn't have to pay interest. And that she's then had to pay a significant amount of interest which has increased her debt. Miss V has also said that from looking at her credit file, she noticed other negative information on her credit file – she saw that on one of her accounts it was showing an arrears payment which she wasn't aware of. Miss V also said she had to use her credit cards for bills, rent and council tax arrears, so she's aware of the high amount of credit she already has. Additionally, Miss V said she knows she has other borrowing which hasn't helped her credit file.

I've not looked into whether the default was applied fairly because as I've explained, NCO aren't responsible for registering the default, this seems like it was the responsibility of A. However, I note Miss V has recognised there may have been other adverse information on her credit file, and this could have contributed to her being declined credit cards which were interest free. So, because I can't look at the default, I've also not considered whether Miss V was due a refund of the interest she's mentioned.

I note Miss V says she received letters from A asking her to make payment even though her complaint was with our Service. I can understand Miss V's concerns, but businesses aren't obliged to stop communicating with their customers while their complaint is with our service.

Putting things right

As I've explained, I think it would have been worrying and concerning for Miss V to find out about the default without being told about it in the first place. And I do think that NCO could have told Miss V in their final response letter that she hadn't been sent the letters they thought she had, rather than saying that their position remains the same in that the default was fairly applied to her credit file. There also seemed to be a delay in the default being removed from Miss V's credit file which caused her inconvenience. With all this in mind, I think NCO should pay Miss V £150 compensation.

My final decision

For reasons explained above, I uphold this complaint and I require NCO Europe Limited to pay Miss V £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 21 June 2022.

Leanne McEvoy
Ombudsman