

The complaint

Miss F complains that John Lewis Financial Services Limited (“JL”) didn’t accept her debt management plan, but kept writing directly to her. It then lost the letter she sent, offering to settle her account, and instead applied a default, which is preventing her from remortgaging.

What happened

Miss F told us about very challenging personal circumstances which led to her getting into financial difficulties. I’m sorry to hear about what Miss F has faced. I won’t set that out here.

Miss F said that once she was able to deal with these issues, she consulted a debt management charity. The charity started a debt management plan (“DMP”) for her in September 2020, and contacted all of her creditors. Three of the four acknowledged the DMP and accepted her repayments, but JL never responded. Instead it continued to contact her about the debt, and recommend she seek help. But her payments were being made through the charity, and Miss F says this at least ought to have alerted JL to the situation.

Miss F said she wrote on 19 January 2021 to express frustration that JL hadn’t recognised her DMP. But she thought JL didn’t have this letter. JL then wrote to her, in May 2021, with a final demand. She told us that she wrote again, on 1 June, with an offer of 40% of the balance. But she said JL didn’t appear to have received this letter either. She said that in June 2021 JL defaulted her account.

Miss F expressed disbelief that correspondence from the charity supporting her had gone astray, and so had two letters that she sent to the right address. She thought this was why her debt had been defaulted, and she expected that if all this correspondence had been received, this debt would now show on her credit file as partially settled, not defaulted. She explained the impact this was having on her.

While our service was looking into this complaint, Miss F told us that JL had finally agreed to accept her partial settlement. So she said it should have amended her credit report to show the debt as part settled. But over six months later, it still hadn’t done that.

JL said it understood Miss F had been having some difficulties making her payments in 2019 and 2020. She then told it she had contacted a debt management charity and would be entering into a DMP. JL said it never received details of that DMP, but it did start to receive payments for Miss F’s account from a charity in September and October 2020.

JL said it had spoken to Miss F on 20 November 2020 and told her it hadn’t received anything from the charity about her DMP. JL said it would call her back on 23 November, but it told us it wasn’t able to speak to her then, and Miss F never called back.

JL said that in January 2021, it received a letter from Miss F about the mishandling of her account. (This is the first letter Miss F says she sent, which she believed had been lost by JL.) Miss F repeated that a charity was managing her DMP, and she was unhappy that JL was still sending her letters. JL said it explained it had to issue regulatory correspondence, and these letters were sent automatically in line with its policy and procedures. JL also told

us that it still hadn't received Miss F's DMP at this point.

On 6 February 2021, JL sent Miss F a default notice, and on 25 May 2021 it sent a final demand. It then defaulted her account. Miss F contacted JL again after this, to tell it she made an offer of 40% when she got the final demand. Miss F said that if JL had responded, the account wouldn't have been defaulted. She wanted JL to accept this settlement now. JL said that although things had gone wrong, and it hadn't received some letters, things wouldn't be different if it had got those letters.

☐ JL thought Miss F should have called back, after it rang her in November 2020, and that she would have known then that JL would need to speak to her, to arrange to have her DMP resent.

☐ JL said that even if it had received Miss F's DMP, she would still have been sent a default notice and final demand.

☐ JL thought Miss F could have contacted it to make sure her offer had been received. And it wouldn't accept an offer before completing a full financial assessment.

Our investigator didn't think this complaint should be upheld. He said Miss F didn't answer JL's call, or call back, when it rang to ask her to get the DMP resent. And he didn't think there was any guarantee that her settlement offer would have been accepted, even if it was received. He also said Miss F's account would still have gone through JL's collections and recovery process and the default notice and final demand would've still been issued anyway. So our investigator felt the adverse information on Miss F's credit file was registered correctly.

Miss F wanted to know if our investigator had just taken JL's word for it, that it had called her. She'd sent the letters referred to, she wanted to know why JL hadn't received them. She wanted to know how JL dealt with post during the pandemic.

Our investigator clarified that JL did get Miss F's January 2021 letter about the mishandling of her DMP. It responded after she'd phoned in early February, and referred to that call in its letter, but there is a record of the first letter she sent being received too. He couldn't say why the second letter, with the settlement offer, wasn't received. Our investigator also said he could see JL did try to call Miss F on 23 November 2020, just before 4 o'clock.

Miss F wrote again, as she didn't feel we'd got to the crux of the issue. She said she should have had the chance for her settlement offer to be accepted. She told us she had other debts, but none of the other creditors she had failed to receive or acknowledge her DMP. And none of her other creditors defaulted her debt.

Miss F also said JL had repeatedly claimed, on phone calls, not to have received the letter she sent in January. She wanted to know why it hadn't replied to that letter if it did get it. She said if we looked at a later letter, from 4 September 2021, we'd see she was still trying to agree a settlement. But she said JL was insisting she complete an income and expenditure form although she had told them the money she was using for this payment was a gift. She told us she'd explained to JL how desperate she had become. She didn't think that someone should be pushed to this point before issues were finally resolved.

Our investigator said notes showed JL had received the letter of 19 January. He said Miss F then called JL on 3 February, and it wrote to her on the same day.

Because our investigator and Miss F didn't agree, this case was passed to me for a final

decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

This complaint divides into a number of different parts. I'll look at each of those in turn, say what I think happened, and what should have happened, as well as setting out anything JL needs to do to put things right.

DMP not actioned

The first part of Miss F's complaint is that her DMP wasn't actioned by JL. She said her other creditors all got it, so it does seem likely that the DMP was sent to JL too. Most items which are put in the post are properly delivered, so it does seem to me to be more likely that the DMP was lost by JL, than that it was lost in the post.

I think this lost correspondence had two consequences. I'll look at those in turn.

The first consequence was that JL continued to record missed payments on Miss F's credit file. I think, if the correspondence hadn't been lost, then it's more likely that the DMP would have been accepted, and JL would have shown Miss F as being in a payment arrangement.

Because I think that's what would have happened, and also because I think this represents a record on Miss F's credit file which more closely matches actual events, I will ask JL to amend Miss F's credit file, to show Miss F in a payment arrangement rather than simply showing a series of missed payments, from October 2020 (when I think the DMP would have been accepted) onwards, until the debt was settled.

The second consequence is JL continued to write to Miss F about this debt. I appreciate that even if JL had received the DMP, it would still need to send some correspondence to Miss F. But I think it's likely that Miss F ended up being sent more letters, because of this. And I do have concerns about whether JL acted appropriately in trying to resolve this. It doesn't seem to have pursued this issue after November 2020, when it simply expected Miss F to call back. And when she did contact it in January, it told her the letters she was getting would have been sent anyway. It doesn't seem to have told her then that it still hadn't got her DMP.

I think that represented poor service to Miss F, and meant she was likely to have received more upsetting correspondence than was actually necessary. I'll bear that in mind when I think about the appropriate level of compensation in this case.

JL then sent Miss F a final demand. I do think that this would have been sent to Miss F anyway, even if her DMP had been received.

Settlement offer not actioned – default placed on credit file.

Miss F responded by sending a settlement offer. Again, I think it's more likely that this was received by JL, for the reasons set out above. It wasn't actioned. But I don't think the consequences are the same.

It's important to note that this offer was for considerably less money than JL had demanded. And I don't think it's solely JL's fault that this wasn't actioned. That's

because here, I do think Miss F could have done more to make sure JL had acknowledged receipt of the letter. Miss F believed at this time that JL had very significant problems with its post. And that makes me think that Miss F should have contacted JL before the deadline in the final demand, to check that her letter was received. But she didn't do that.

I still think it's poor service to lose a letter like this. But I don't think it's solely JL's fault that this offer wasn't actioned. Miss F could have chased this up, and didn't.

My experience suggests that even if JL had responded to Miss F's offer, it would still be likely to have decided to place a default on her account. So I don't think this lost letter is the only reason the default is there.

Consequences of the default

Miss F told us that this default was the only thing stopping her from remortgaging.

I'd like to pause here to say that I have no reason to doubt that JL did put a default on Miss F's file at this time. But it appears it may since have removed it, because the credit file Miss F has shown us recently doesn't show a default for this account.

And I don't think JL has to pay for all the consequences Miss F has described, which she says flow just from this default. Miss F has a number of other defaults on her credit file. Many of these are still relatively recent. JL was only ever responsible for one of these. So I'm not able to assume that Miss F would have been able to remortgage successfully with those other defaults, and not the JL default.

Credit file not amended to show settlement

Miss F complained to us on 31 August 2021. I understand Miss F then reached a settlement with JL on this debt, after her complaint was brought to us. After this, she told us JL wouldn't remove the default (although she may wish to check this with other CRAs, as JL may now have taken action on this). And she said it hadn't properly updated her credit file to show this debt as settled.

It's not clear that Miss F has raised this issue with JL. But I think it is in the interests of both sides if I seek to resolve this issue now.

If JL has not removed the default on Miss F's credit file for all CRAs, I won't instruct it to do so now. I know that Miss F says other creditors accepted a settlement at this time without recording a default, but I haven't been able to identify a comparable debt from around this time, with so many missed payments. And even if I could do that, I would also have to allow for the fact that different lenders may take a different approach.

But if JL has removed this default, whether or not this was intentional, then I don't think it would be fair for it to replace that default now, because the impact on Miss F's credit file would be so far removed from the relevant events.

Miss F also told us that JL delayed in notifying credit reference agencies of the settlement. I can see that she accepted a payment of £100, which appears to have been for a delay in writing to her to confirm the settlement had been received in October 2021. But it also looks as if she then complained again in April 2022. And her credit file for this account was last updated on 21 April 2022. That's well after the settlement was reached in September 2021. That leads me to think that it's likely Miss F's credit file showed an unsettled debt, for far longer than it should have done.

Miss F can offer more evidence on the impact of this point if she wishes, but at the moment, having considered her credit file in full, I'm not able to say that if she was still unable to remortgage at this point, this would be the sole reason for that. Especially as JL appears to have provided a letter for her to show to mortgage companies, to confirm the true position on the account. But I also think that this is likely to be a further example of poor service by JL, and I'll take this into account in deciding compensation in this case.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both parties replied.

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.

JL said it would accept my decision. It wanted to say that even if it had received and accepted the payment arrangement from the debt management charity, its collections process would have still taken place, so Miss F would still have ended up with a default notice and final demand. JL said that the account then defaulted because the settlement offer was not chased up by Miss F and JL didn't receive full payment.

I note JL's views, which focus only on part of this case. I haven't changed my mind.

Miss F said that overall, she was very happy with the points I'd made and conclusions I'd drawn. She did wish to add some comments.

Miss F said I was right to say her credit file hadn't been updated until April 2022. She said before JL removed the default, this was the only unsatisfied or partially satisfied credit agreement on her credit file. She said that did affect her credit score, and her attractiveness to lenders. She understood mortgage companies had been concerned about the relatively recent timing of the default. She accepted that didn't prove JL's actions had caused the problems with remortgaging, but said she could categorically say that it didn't help.

Miss F said she didn't follow up her settlement offer with JL, both because she expected staff to be back and working, as lockdown had ended, but also because her mental health was below par at this time. I note what Miss F has said here. And, drawing on previous experience, I do still think it's most likely that even if JL had actioned this settlement offer, it would not have been accepted.

Miss F also wanted to comment on my proposed award, to say again that she hadn't brought this complaint to get compensation. She wanted JL to admit to its mistakes and apologise for them. She wanted it to learn from this, so nobody else had to go through the same.

Our service isn't a regulator, and I cannot require JL to behave differently in future. I can only look at what happened in Miss F's individual case, and what's required to put that right. It seems to me that Miss F would see little value in an apology which JL is ordered to make, so I have not required JL to apologise. I still think some amendments are required to Miss F's credit file. And I think this is a case where our service would usually award compensation. I haven't changed my mind about the appropriate amount. So I'll now make the decision I originally proposed.

My final decision

My final decision is that John Lewis Financial Services Limited must pay Miss F £350 in compensation, in addition to the compensation of £100 that it has already paid. And it must amend Miss F's credit file to show her in a payment arrangement on this debt from October 2021 until the debt is settled. If John Lewis Financial Services Limited has removed the default from Miss F's credit file, it may not restore this now.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 10 August 2022.

Esther Absalom-Gough

Ombudsman