

The complaint

Miss D complains that Oakbrook Finance Limited trading as Likely Loans unfairly closed her loan and recorded a default on her credit file.

What happened

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

Miss D took out a loan with Likely Loans in December 2018. There were some missed payments from March 2019 and in July 2019 Miss D made a partial payment of £50. Payments of £10 a month were then taken until December 2020. In January 2021 Miss D started making payments of £100 a month to cover the contractual payment and repay arrears.

In March 2021 Likely Loans spoke with Miss D and agreed a payment arrangement for three months. During the call, Miss D was asked to contact Likely Loans before the payment arrangement ended. But Likely Loans didn't hear from Miss D before the end of the plan. On 7 June 2021 Likely Loans sent Miss D a default notice advising it would close the loan and report it to the credit reference agencies if a payment wasn't made or contact received.

On 10 June 2021 Miss D spoke with Likely Loans and agreed a new payment arrangement of £100 a month. Miss D was asked to call back before the end of the payment arrangement to put a new one in place. Likely Loans also sent Miss D a letter confirming the arrangement and request for contact before the plan ended.

Miss D made the payments due under the arrangement with Likely Loans. But in December 2021 Likely Loans took the step of closing Miss D's loan and recording a default on her credit file.

Miss D went on to contact Likely Loans on 14 January 2022 and discussed a new payment arrangement. But by this point the loan had closed and Miss D complained. Likely Loans sent Miss D a final response but explained the default notice issued in June 2020 remained valid and that it had closed her loan after she failed to make contact at the end of the existing payment arrangement in December 2021.

An investigator at this service looked at Miss D's complain but didn't think Likely Loans had treated her unfairly when it closed the loan and recorded a default. Miss D asked to appeal. Miss D accepted she hadn't called Likely Loans back before the end of her plan but said no payments had been missed. Miss D also explained that Likely Loans had sent her monthly text reminders to make the payment due under the arrangement but didn't warn her before closing her loan. As Miss D asked to appeal, her 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.

Whilst I understand Likely Loans doesn't warn customers before a payment arrangement ends, I'm not persuaded it acted unfairly by closing Miss D's loan and recording a default on her credit file. I'll explain why.

Miss D experienced financial difficulties that led to arrears on her loan. I can see that during 2019 and 2020 payments were missed or only partially made. But from January 2021 Miss D's situation appears to have improved. From that point, Miss D made payments in excess of the contractual amount due each month to repay the arrears. No payments, including the December 2021 payment, were missed.

Likely Loans has pointed out it sent a default notice to Miss D on 7 June 2021 and I've read it. I can see the default notice asked Miss D to either make a payment to repay the full balance or make contact. Miss D went on to call Likely Loans a few days later.

In my view, this call was important. Not just because it was the last payment arrangement Miss D agreed before her loan was closed. But because of the language used by the call handler and information provided. I've listened to the call. After agreeing to accept six monthly payments of £100, Likely Loans' agent repeatedly said the default notice that had recently been sent wouldn't go any further. I understand the agent also asked Miss D to make contact before the new payment arrangement came to an end, but I haven't been persuaded they made the consequences of failing to do so sufficiently clear. There was no reference made to Likely Loans enforcing the default notice if Miss D failed to call back. In my view, the agent made it sound as if the default process had been reset and the notice was no longer valid.

I've read Likely Loans' letter dated 10 June 2021 confirming the new payment arrangement and also requesting contact before its end. But, again, the consequences of failing to do so were not made clear. The letter appears to be generic in nature but I think the fact Likely Loans had recently issued a default notice meant it needed to be particularly clear with Miss D about what would happen if no contact was made.

I also think it's fair to note the arrangement only failed because Miss D forgot to make a call, not because she was unwilling to pay or extend the arrangement. A further payment arrangement was agreed with Miss D in January 2022. I understand the loan was later sold to a third party when Miss D missed a payment after she lost her job. But Miss D has confirmed she is employed and can continue to make repayments.

I haven't been persuaded that Likely Loans acted fairly when it closed Miss D's loan and recorded a default in December 2021. As a result, I intend to uphold Miss D's complaint. Miss D has asked for the default to be removed. Subject to completing an affordability check, I think the fairest approach is for Likely Loans to remove the default from Miss D's credit file and reinstate her loan. Likely Loans will also need to consider an affordable payment arrangement to clear any remaining arrears.

I understand the loan has been sold to a third party. Likely Loans will either need to make arrangements to retrieve it or work with the new debt owner in putting the settlement in place. If the new debt owner is also recording adverse information, like a default, Likely Loans should work with it to remove the entry.

I can see this issue has caused Miss D a reasonable level of distress and inconvenience at an already difficult time. So I also int Miss D £200 to reflect the distress and inconvenience caused.

I invited both parties to respond with any additional comments or information they wanted me to consider before making my final decision. Miss D confirmed she accepted the provisional decision. We didn't hear back from Likely Loans.

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.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still think Miss D's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Miss D's complaint and direct Oakbrook Finance Limited trading as Likely Loans to settle as follows:

- Subject to completing an affordability check, take steps to reinstate the loan and repayments. Likely Loans should work with Miss D to ensure an affordable payment arrangement to clear the arrears is agreed
- Subject to the above, remove the default recorded on Miss D's credit file
- If the loan has been sold to a third party, take steps to retrieve it or work with the new owner to put this settlement in place. If the new debt owner is recording adverse information, like a default, on Miss D's credit file Likely Loans should work with it to have that information removed
- Pay Miss D £200 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 16 August 2022.

Marco Manente
Ombudsman