

The complaint

Mrs B complains that NCO Europe Limited unfairly terminated her credit card agreement and recorded a default on her credit file.

What happened

Mrs B originally took out a credit card with a business I'll refer to as V. The credit card debt was later sold to another business I'll call A. And A instructed NCO to manage the account.

On 18 December 2020 NCO sent a termination letter to Mrs B that said she had until 1 March 2021 to clear the outstanding balance. Otherwise, NCO said it would terminate the agreement and record a default on Mrs B's credit file. No payment or contact was received and NCO terminated the account and reported a default five days earlier than advised, on 25 February 2021. No payment or contact from Mrs B was received prior to 1 March 2021.

In April 2021 Mrs B emailed NCO and asked to make a payment arrangement of £25 a month to clear the balance.

Mrs B later complained about the default on her credit file and date NCO had terminated the agreement. NCO didn't agree it had made a mistake by terminating the agreement but apologised that it had given the wrong end date in its termination letter.

An investigator at this service looked at Mrs B's complaint and partially upheld it. The investigator asked NCO to pay Mrs B £100 for the distress and inconvenience caused by the mistake in its termination letter. But the investigator didn't ask NCO to take further action in relation to the default.

In response to the investigator, Mrs B's representative (Mr B) said NCO was five days early in applying the default so she should get five days back to repay it. On settlement Mr B said NCO should arrange for the default to be removed. They also said Mrs B had funds available at the time to clear the outstanding balance. As Mrs B's representative asked to appeal, her complaint has been passed to me to make a decision.

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.

We try to resolve complaints by putting the consumer back into the position they would've been in had no mistakes been made by a business. In this case, NCO says its termination letter dated 18 December 2020 contained the wrong default date and ought to have said 25 February 2021. That's the date the default was applied. But Mrs B says the mistake was that NCO closed the account and applied the default four days too early as it gave her until 1 March 2021.

In either of the above scenarios, to avoid a default, Mrs B needed to clear the outstanding balance in full. But no contact from Mrs B was received and no payments were made. I can

see Mr B has forwarded a bank statement and told us Mrs B had funds available at the time. But I have to factor in that Mrs B didn't use those funds to make the payment required to avoid the default by the date given in the termination letter – 1 March 2021. So even if we proceed on the basis that the default was applied five days early, that doesn't change the overall position which is that no payment was made before the due date.

Mrs B has told us she found the default on a free credit report on 25 February 2021 – the date the account was terminated. But I have to take into account that credit files aren't updated in real time and there's generally a delay of around a month. I haven't seen any evidence that NCO or A reported the default as early as 25 February 2021.

I note Mrs B told us she would've borrowed money to clear the outstanding balance by 1 March 2021. But it's very unlikely NCO would've accepted money Mrs B had borrowed elsewhere to clear the outstanding balance.

Even accepting that NCO made a mistake with the termination date, I don't agree it would be fair to remove the default from Mrs B's credit file. As no payment was received within the time given in the termination letter and no contact was made for around a further month, I'm satisfied the decision to terminate the account and apply the default was fair.

Our investigator asked NCO to pay £100 to Mrs B for the distress and inconvenience caused by the error noted in its termination letter. I can see the mistake caused Mrs B a reasonable level of distress and understand she's upset. Whilst I haven't found grounds to tell NCO to remove the default, I'm satisfied a £100 payment to recognise the distress and inconvenience caused is a fair and reasonable way to resolve Mrs B's complaint. As a result, I'm going to uphold Mrs B's complaint and proceed on that basis.

My final decision

My decision is that I uphold Mrs B's complaint and direct NCO Europe Limited to pay her £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 29 September 2022.

Marco Manente
Ombudsman