

## **The complaint**

Miss O complains about the service received from Everyday Lending Limited, trading as Trusttwo ('ELL') when they reported a default on a guarantor loan.

## **What happened**

The background to this complaint is well known to both Miss O and ELL. I won't repeat in detail what is already known to both parties. In my decision, I'll mainly focus on giving the reasons for reaching the outcome I have.

Miss O took out a guarantor loan for £7,800 with ELL in 2019. The agreed contractual repayment was £308.50 each month.

In January 2021 Miss O got in touch with ELL to let them know she was experiencing financial difficulty because of the impact of the COVID-19 pandemic. ELL and Miss O agreed a reduced repayment for £98.50, for one month - and this was to be reviewed the following month. Some further communication followed between Miss O and ELL over the coming months, arrears continued to build up and ultimately a default notice was issued on 21 April 2021 and reported in May 2021.

Miss O was unhappy with the actions of ELL and the service she'd received. She complained to them, remained unhappy with their response and referred her complaint to our Service for an independent review.

Our investigator partially upheld the complaint and recommended that ELL increase their offer for the service received to £300. Miss O remained unhappy with the default being recorded and the complaint was referred to me for a decision. I recently sent both parties a copy of my provisional, intended findings – outlining that I intended to increase the compensation award to Miss O from £300 to £500.

ELL responded and accepted my provisional findings. Miss O didn't respond by the deadline I set.

## **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 disagreed with my provisional findings or provided material new evidence, I see no fair or reasonable reason to deviate from my intended findings. As they form part of this - my final decision, I've included a copy below.

## **Copy of provisional decision**

*"Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy to either party – it simply reflects the informal nature of our Service. Similarly, I won't comment*

on every interaction between both parties here – only the key ones. However, I've given careful consideration to all of the submissions made before arriving at my decision.

#### *The support offered by ELL*

As a responsible lender, ELL have a duty to accurately report an accurate picture of their customers' accounts to the relevant credit reference agencies. It's not in dispute that Miss O was in arrears with her loan repayments whilst dealing with the challenges that the COVID-19 pandemic presented. She was unemployed and reliant on universal credit for her income.

From the evidence provided, an agreement was made that Miss O would make a reduced repayment in January 2021 and this would be reviewed in February. This was positive, fair and supportive of ELL. But she didn't make this payment as agreed. This payment was made on 1 February 2021 – so therefore she broke the terms of that arrangement and it's not unfair or unexpected that ELL would then revert back to expecting full contractual repayments each month. However, I also haven't seen sufficient supporting evidence that ELL made this clear to Miss O. Indeed, there is reference to this arrangement continuing afterwards. This is part of a catalogue of really poor communication from ELL – that I'll address in detail later in this decision.

I can see that on 12 February 2021 ELL contacted Miss O to request an update on her circumstances – as agreed. Her response was that her situation was exactly the same as the previous month. An income and expenditure assessment was then requested by ELL and they advised they'd then look at options on the account. This is what I'd expect to see in this type of situation - the business trying to establish what a customer can afford to repay. ELL told Miss O on 15 February 2021 she wasn't happy with the negative impact a reduced payment plan would have on her credit file and she wanted to reschedule the loan. ELL said they'd look into this. This was again supportive of ELL.

On 17 February ELL emailed Miss O to explain that for a loan reschedule to be considered they'd need to contact the loan guarantor but weren't able to get through and they'd also need supporting documentation such as bank statements before making a decision. Again, this was what I'd expect to see.

On 24 February ELL let Miss O know that the agreed reduced January repayment would show on her credit file if it had been received on time. But that there was no arrangement in place for February. It was reiterated what would be required to consider a loan reschedule. Shortly afterwards Miss O responded to provide bank statements, confirm that she had missed her February repayment and understood this would negatively impact her credit file. She said her guarantor would email ELL and queried the rescheduling time frames.

To be clear, I'm not considering the actions of the loan guarantor here. But it's important to make reference to their involvement as based on what I've seen, ELL needed the guarantor on board to allow the rescheduling to be considered and Miss O had said they'd email ELL. On 24 May 2021 it was confirmed that the guarantor wouldn't send the required information ELL's notes indicate that the loan guarantor contacted them on 4 May 2021 but was unable to pass account security so they were unable to speak to them.

However from Miss O's email on 1 March 2021, there was approximately 7 weeks before anything further seemingly was recorded on the account. Given the difficulties the customer was experiencing, I find this to be very poor customer service and not positive or supportive.

In their final response letter, ELL have said that Miss O was declined for loan rescheduling twice. But I can't see that this was clearly communicated to her - despite numerous

*opportunities to do so. This is very disappointing to hear.*

#### *The recording of the default*

*Mis O was sent a notice of default on 22 April 2021. This notice gave her until 10 May 2021 to clear the arrears. As the arrears weren't cleared, a default was recorded.*

*To be very clear; although the communication and service from ELL falls far below what would be expected, this didn't absolve Miss O of her responsibility to make her loan repayments. From what I've seen, the reduced payment plan was only intended to cover January 2021 – and Miss O broke the terms of the arrangement by paying late, but it seems it may have continued beyond January 2021.*

*Crucially, Miss O didn't make any repayments towards her loan to cover February, March or April 2021. Even if Miss O was awaiting an answer on whether the loan would be rescheduled, this didn't mean she should stop making either her agreed loan repayments or the lower amount - if she felt that arrangement had continued beyond January 2021. I'm not persuaded by Miss O's argument that the payment required to prevent the default was £94.50 and not the total arrears. The default notice set out clearly what the outcome would be should the arrears not be cleared. ELL haven't acted unreasonably in recording the default.*

*Similarly - with all due respect to Miss O, I don't agree with her points below:*

*"Had Trusttwo followed the correct procedures when filing the default and provided enough time for me to response and had they provided good customer service in a timely manner I know that without a doubt this situation would have been resolved long before the default notice as sent. Which again is no fault of my own."*

*The available evidence shows that the financial difficulties she's experienced had been ongoing for a number of months and there is no supporting evidence at all that (despite the failings from ELL) her financial circumstances had improved to the extent that she'd be in position to clear her arrears and resume her contractual loan repayments. Miss O did later resume working - but this after the point where arrears had significantly built up.*

*Miss O has also raised an issue with the date the default was reported/recorded, but as our investigator has explained; the earlier it's added, the sooner it will fall off Miss O's credit record. Crucially, no supporting evidence has been provided that Miss O would've been in a position to pay off her arrears had the default not been recorded until a week or two later - so I find it more likely than not that the end result would've still been the same.*

*In summary, I don't think she's lost out because of the date the default was reported and the recording of the default was fair and reasonable.*

#### *The service Miss O has received*

*It's accepted by ELL that the service delivered simply wasn't good enough. Our investigator recommended compensation of £300 in recognition of this – which ELL agreed to pay. I currently intend to increase this award to £500. My justification is the catalogue of extremely poor communication and unclear messages across a number of months – at what was a really difficult time for Miss O - will have compounded the impact of this situation on her.*

*ELL needed to take ownership of the service delivered, particularly after issues were identified - but they failed to do so. It's positive that ELL have told us they've taken steps to deal with the staff involved internally. It's not within our remit to direct action against*

*individual staff members – and although that may help future customers - it doesn't help Miss O or reduce the impact this experience has had on her. I've kept this in mind when increasing the compensation award here.*

*I've already highlighted the various issues with ELL not clearly communicating the loan rescheduling had been declined and not responding to Miss O for the best part of two months (March - late April 2021). ELL failed to communicate in a clear way to Miss O what was happening.*

*To be totally clear, I don't find that the service delivered has ultimately changed what the end result was here – the recording of the default. But as a customer of ELL, Miss O deserved to be treated with basic courtesy and clarity in her dealings with them. They were the experts in this relationship and have let Miss O down on a number of occasions, across a number of months."*

### **Putting things right**

Everyday Lending Limited, trading as Trusttwo ('ELL') need to pay to Miss O a total of £500. This is an increase on the £300 our investigator had recommended.

### **My final decision**

I partially uphold this complaint. I direct Everyday Lending Limited, trading as Trusttwo ('ELL') to follow my direction as set out under the heading 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 30 September 2022.

Daniel O'Shea  
**Ombudsman**