

The complaint

Mr R complains Creation Financial Services Limited (Creation) placed a default on his credit file in relation to his credit card account, despite having agreed a Covid payment holiday.

What happened

Mr R says he applied for a three-month Covid payment holiday in April 2020 and this was approved by Creation. Mr R says he then received a notification in June 2020 from Creation asking for a payment to his account. Mr R says he telephoned Creation to query this given he was given a Covid payment holiday until July 2020, but was told by a member of Creation's team it had made a mistake and he wasn't entitled to a Covid payment holiday, as he was already on a payment plan with them.

Mr R wasn't happy with this and asked for a complaint to be registered, which Mr R says Creation failed to do. Mr R says Creation have unfairly placed a default on his credit file which has damaged his credit rating and his ability to obtain finance elsewhere.

Mr R wants Creation to remove the default from his credit file and pay him compensation for the trouble and upset caused.

Creation says it agrees it shouldn't have offered the Covid payment holiday, but it apologised for doing so and corrected this mistake as soon as it was able to do so.

Mr R wasn't happy with Creation's response and referred the matter to this service.

The investigator looked at all the available information and upheld Mr R's complaint. The investigator felt given Creation hadn't informed Mr R until June 2020 of its mistake, it should honour the payment break it had previously agreed. The investigator says Creation should now remove the default on Mr R's credit file if the outstanding balance has been paid off. The investigator says if Mr R hasn't paid off the balance and it is not possible for Creation to reinstate the account, then Mr R should come to an arrangement with Creation to pay off the outstanding balance and once it has been, then the default can be removed.

Mr R wasn't happy with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I will also be upholding this complaint but with a slightly different outcome.

I can understand it would have been upsetting for Mr R to learn that a Covid payment plan he had agreed with Creation wasn't to be put in place. When looking at this complaint I will consider if Creation acted fairly when it retracted its earlier agreed Covid payment plan with Mr R and marked a default on his credit file.

The first thing to say here is Creation have already agreed with Mr R that it was at fault when it originally informed him a three-month Covid payment plan could be put in place in April 2020 and have apologised for that. That said, it's fair to say Mr R wouldn't have been entitled to a Covid payment plan, as under the guidance provided by the Financial Conduct Authority (FCA) that didn't extend to consumers who were already in an agreed payment holiday/plan prior to April 2020 and that was the case here.

Where I do have an issue is while Creation have apologised for that mistake, it hasn't fully explained to Mr R or this service what other arrangements it could have offered at that time, rather than simply defaulting Mr R's account in May 2020.

It's fair to say from April 2020 until June 2020, when Mr R received an arrears notification from Creation, he was under the impression a three-month Covid payment holiday was in place. I can see that Mr R telephoned Creation in June 2020 to query this notification with them, and it's at this point where there was an opportunity for both parties to put a suitable arrangement in place. So, while Creation had correctly informed Mr R he wasn't entitled to a Covid payment holiday, I am satisfied the appropriate course of action, was for Creation to have agreed a suitable payment plan to meet Mr R's current personal circumstances at that time.

So while I accept that it wasn't appropriate for a three-month Covid payment holiday to be put in place, as Mr R insisted, if a suitable plan had been put in place instead, I am satisfied in all likelihood a default could have been avoided here.

With that in mind, a sensible compromise would be for the default marker to be removed and replaced with a payment arrangement marker instead. This service has on more than one occasion asked for further information from Creation and for it to clearly identify any outstanding arrears on Mr R's account, but this has not been forthcoming, other than copies of more recent credit card statements, which do not seem to cover the period when the default was first marked.

While Mr R feels his ability to obtain credit elsewhere has been affected by the default marker, it's worth bearing in mind his credit file had already been marked with missed payments and a payment arrangement prior to April 2020, so I can't say the default marker would have been the sole reason why he would be unable to obtain credit facilities elsewhere.

So, what I propose here is, as I mentioned before, the default marker is to be replaced with a payment arrangement marker from April 2020, and both parties should now agree a suitable payment plan going forward.

Mr R should bear in mind that it's his responsibility to ensure any payment plan agreed, is adhered to going forward to avoid missed payments or a default being registered in the future.

Mr R responded to my provisional decision, but I've heard nothing further from Creation, so the case has been referred back to me to make a final 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.

I gave both Mr R and Creation until 12 September 2022 to accept or reject my provisional decision.

Creation have provided some additional information concerning the arrears letters it sent to Mr R, but haven't commented specifically to my provisional decision, despite the deadline to my provisional decision being extended. Mr R has told this service he is no longer in arrears with Creation, which seems to conflict with the most recent communication we have had from Creation. Additionally, Mr R has questioned why no compensation has been awarded to him.

Regarding the arrears position, given that I haven't been provided with clear evidence from either party exactly what the arrears position is and in order to come to a reasonable decision here, given the modest sum of less than £15 being referred to by Creation as "arrears", under the circumstances I feel these should be treated as simply part of the outstanding debt and not an arrears sum.

That said, although Mr R doesn't feel a payment plan is now appropriate as he's making the minimum payments each month, he should ensure these are made on time going forward, to avoid any issues in the future.

Having said that, the main body of my decision should remain and I see no reason to change what I said in my provisional decision, in that the default marker should be removed and replaced with a payment arrangement marker from April 2020 to date. I say this because if an agreement had been made with Creation at that time, it would have been recorded as a payment arrangement on Mr R's credit file.

As far as compensation is concerned, I am satisfied the amendments to Mr R's credit file as described and the removal of any arrears currently showing is sufficient here. It's fair to say Mr R wasn't entitled to a Covid payment holiday and was told that, albeit after the event as described in my provisional decision, and this decision was to reflect a reasonable compromise.

Mr R and Creation will be disappointed with my decision, but I am satisfied this is a fair outcome here.

Putting things right

I instruct Creation Financial Services Limited to remove the default marker from Mr R's credit file and replace it with a payment arrangement marker from April 2020 to date.

The modest current arrears Creation refer to of £14.81, if still outstanding, should now be absorbed as part of the current outstanding debt.

My final decision

My final decision is that I uphold this complaint.

I instruct Creation Financial Services Limited to remove the default marker from Mr R's credit file and replace it with a payment arrangement marker from April 2020 to date. The modest current arrears Creation refer to of £14.81, if still outstanding, should now be absorbed as part of the current outstanding debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 October 2022.

Barry White
Ombudsman