

The complaint

Mrs O complains that Arrow Global Limited unfairly terminated her credit card account and recorded a default on her credit file.

What happened

In September 2019 Arrow acquired a credit card debt in Mrs O's name from a business I'll call V. Arrow appointed another business, N, to arrange repayment with Mrs O.

Mrs O reached an agreement with N and made monthly payments by standing order. But in December 2021 the payments stopped. On 15 April 2022 Arrow sent Mrs O a letter that explained it was giving notice of its intention to terminate the credit agreement on 23 June 2022. Arrow's letter said Mrs O needed to pay off the outstanding balance in full to avoid a default being recorded on her credit file. Arrow's letter also said it was terminating Mrs O's credit card agreement in line with its terms.

Mrs O contacted Arrow and asked for a copy of her credit agreement with V. Arrow says it contacted V and asked it to supply a copy. Mrs O also raised concerns with Arrow about the nature of its letter and whether it would default her account. Mrs O went on to make a payment to cover those previously missed and wanted to reset the previous arrangement.

Arrow didn't agree to set up a new arrangement or reconsider its decision to terminate the account. A default was registered on Mrs O's credit file in June 2022.

Mrs O complained but Arrow didn't agree it had acted unfairly. However, Arrow said it would backdate the default to March 2020, six months after it acquired Mrs O's account.

An investigator at this service upheld Mrs O's complaint. They didn't think the letter Arrow sent on 15 April 2022 was a default notice and said it should remove its record from Mrs O's credit file. The investigator also asked Arrow to pay Mrs O £100 for the distress and inconvenience caused. Arrow didn't agree and asked to appeal. Arrow said its letter dated 15 April 2022 allowed it to record a default on Mrs O's credit file. As Arrow asked to appeal, Mrs O's complaint has been sent 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.

The investigator and Arrow have both made technical arguments concerning whether the 15 April 2022 letter is a proper default notice or not. And Arrow's given us details of how it interprets the relevant rules. I've looked at Section 88 of the Consumer Credit Act which sets out what information a default notice has to include. The first point noted is that a default notice must specify the nature of an alleged breach. I note Arrow's letter dated 15 April 2022 contains no allegation of an alleged breach of the credit agreement. Instead, Arrow's letter includes notice that it intended to terminate the credit card under the terms of its credit

agreement. I'm not persuaded Arrow's letter fairly gave notice of its intention to default the credit card.

I note the letter caused Mrs O to contact Arrow and ask questions about her account and for a copy of the original credit agreement. Given Arrow was seeking to terminate the credit card on the basis of the provisions of the terms within that credit agreement, I agree with Mrs O it was important for her to see a copy. I'm surprised Arrow didn't simply forward a copy to Mrs O, instead it chose to request a copy from V. Arrow cited the relevant condition with its terms in its letter of 15 April 2022, so it stands to reason it had a copy of Mrs O's credit agreement available.

Whilst I accept the credit agreement allowed arrow to terminate the credit card by giving two months' notice, I haven't been persuaded it acted fairly by recording a default.

Mrs O has forwarded evidence that shows she could've cleared the balance in June 2022, before the default was applied. So I think the fairest approach offer Mrs O the chance to make a payment to clear the balance. If Mrs O makes a payment to clear the default balance in full within four weeks of settlement, Arrow will need to remove the default from her credit file and mark the account as settled.

I agree with the investigator that £100 fairly reflects the level of distress and inconvenience caused to Mrs O, so I'm going to proceed on that basis.

My final decision

My decision is that I uphold Mrs O's complaint and direct Arrow Global Limited to settle as follows:

- If Mrs O makes a payment to clear the default balance within four weeks of acceptance, remove the default reported on her credit file and mark account as settled
- Pay Mrs O £100 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 2 December 2022.

Marco Manente
Ombudsman