

## **The complaint**

Miss M is unhappy Debt Managers (Services) Limited (DMSL) have applied a late payment marker about an account to her credit file.

## **What happened**

Miss M held a catalogue shopping account with another business taken out in December 2018. This account was then sold to DMSL in March 2021. At this point, the total balance on the account was £1,792.73 and a repayment plan of £50 a month was agreed shortly after with Miss M to be taken by the first day of each month.

Miss M says in April 2022, she missed a regular payment of £50 to the account, which she forgot required manually paying online. As a result, a missed payment marker was put on Miss M's credit file for the account with DMSL.

Miss M says she wasn't notified of the missed payment nor contacted about this by DMSL. Instead, Miss M says she was notified of the missed payment marker by a company who display her credit report and other credit information. Miss M doesn't think it's fair DMSL have applied a missed payment marker to her credit file after having missed the payment by just one day and says the marker has lowered her overall credit score. Miss M has asked for DMSL to remove the marker from her credit file and for them to set up a continuous payment to avoid this issue occurring again in the future.

DMSL recognise that automatic payments were set up and the last automatic payment received was in January 2022. However, DMSL initially said Miss M experienced difficulties with their card payment system in both February and March 2022, resulting in her card being removed from their systems on 1 March 2022. As a result, Miss M logged into their online portal to make the payments manually in February and March 2022. Later on, DMSL told us that in fact, the February and March 2022 payments didn't go through as Miss M either cancelled the payment via her bank or closed her account.

DMSL say Miss M was due to make a payment on 1 April 2022, but they didn't receive Miss M's payment until 13 April 2022 – which was after they'd reported the missed payment to the Credit Reference Agencies (CRA). DMSL say they have a duty to ensure they are recording a true reflection of the account to CRA's and that they send monthly updates. So, they didn't uphold Miss M's complaint.

Our Investigator looked into things for Miss M. In summary, she said DMSL didn't make Miss M aware that they wouldn't automatically be taking a payment from her in April 2022. Therefore, Miss M wasn't aware she had to make the payment manually nor that she needed to give DMSL her card details. So, our Investigator recommended DMSL remove the late payment marker for this account from Miss M's credit file and also pay her £50 compensation for the inconvenience caused.

Miss M agreed. But DMSL didn't. They said because Miss M's card declined in both February and March 2022 (with Miss M making a manual payment via their portal in both months), it's likely she would have been aware that this situation could reoccur in April 2022.

DMSL said as Miss M's card had been declined and deleted from their system in March 2022, they weren't able to automatically take a payment in April 2022 as they weren't in possession of valid card details. So, the complaint has been passed to me to decide.

I issued a provisional decision on the matter setting out the below:

*It doesn't seem to be in dispute that the payment due in April 2022 wasn't made when it should have been. What's left for me to decide is if DMSL were right to apply a late payment marker to Miss M's credit file as a result of the payment in April 2022 being made late. And if there's anything DMSL need to do to put things right for Miss M.*

*From the information available to me, Miss M was aware £50 needed to be paid by the first day of each month. I say this because there's an email from Miss M to DMSL where she confirms she received a letter which advised her current arrangement was to pay £50 a month on or before the first day of each month.*

*It seems up until January 2022, automatic payments were being made through a continuous payment arrangement – this is where a recurring payment is set up towards an outstanding balance using a customer's debit or credit card details. However, from February 2022 onwards, this arrangement had stopped and manual payments of £50 needed to be made by Miss M.*

*Miss M told us she forgot she needed to make the payment manually online in April 2022 – she said due to the medication she's on, her memory isn't great. While I empathise with what Miss M has told us, I think it's fair to suggest the missed payment was as a result of Miss M forgetting to make the payment, rather than something DMSL did or didn't do. Miss M says the payment was only one day late so the late payment marker should be removed from her credit file. However, from DMSL's internal notes, I can see the payment was made on 13 April 2022 – so it was more than one day late. In any case, even though Miss M made the payment in the end, as the payment was made later than the date it was due by 1 April 2022, I think it's fair for DMSL to record a late payment marker for this account on Miss M's credit file. DMSL have a duty to record accurate information about accounts to CRA's and I can see from the email they sent to Miss M on 1 June 2021 they explained they report late and missed payment information to CRA's. I can only require DMSL to remove this marker if they applied it unfairly or incorrectly, but I don't think they have.*

*I note DMSL previously removed a late payment marker they applied to this account in May 2021. But according to their letter to Miss M in August 2021, it appears this was done because there was a delay in responding to Miss M's emails. Although my decision doesn't make a finding on the instance in May 2021, I don't find this to be a reason to ask DMSL to remove the late payment marker applied in April 2022.*

*DMSL have said Miss M was required to make a manual payment of £50 in February and March 2022, so she ought to have been aware she needed to make a manual payment in April 2022. But Miss M said when she contacted DMSL in April 2022, she was unclear as to whether she had a continuous payment arrangement set up or whether she had to pay monthly. Even though Miss M has acknowledged she forgot the payment in April 2022 was required manually online, I can understand why there may have been some confusion as automatic payments were being taken successfully up until January 2022 and I haven't seen any evidence to suggest DMSL let Miss M know the continuous payment arrangement had ended.*

*The screenshots DMSL provided show there was an attempt to take the payments automatically in February and March 2022 but failed. The reason shown against the failed automatic attempts in February and March 2022 says "refused". DMSL explained this refusal*

*reason is when a customer has cancelled the payment via their bank or closed their account. This is different to what DMSL previously explained to us about Miss M experiencing difficulties with their card payment system and her card being removed from their system.*

*Miss M recently told us that due to a fraudulent payment being taken from her account in January 2022, her bank issued her with a new card. Miss M has provided screenshots of her bank account in February and March 2022 and I can see an attempt at a £50 payment was made in both months, but the notification says “declined, your card’s expired”. Miss M has also provided us with bank statements from January to the end of April 2022, showing her account was open. So, I find Miss M’s explanation of what happened to be plausible and I don’t think Miss M cancelled the payment nor closed her account as suggested by DMSL.*

*Miss M says DMSL should have told her she missed the payment on 1 April 2022, but instead she found out from another business. DMSL have said Miss M would have been aware the payment hadn’t been made in April 2022 as the February and March 2022 payments weren’t successful when they attempted to take the payments automatically, so Miss M would have known the automatic payment process wasn’t in place. I can appreciate DMSL point and I don’t find this to be an unreasonable assumption. But I still think DMSL could have notified Miss M that the continuous payment arrangement had ended.*

*Additionally, Miss M says she was never notified by DMSL there was a problem with them attempting to take automatic payments after January 2022. And I don’t think Miss M would have necessarily known that by her bank issuing her a new card, that this would automatically mean the continuous payment arrangement she had with DMSL ended. I think it would have been helpful for DMSL to let Miss M know there was an issue with them being able to take automatic payments, regardless of the reason why the automatic payments stopped. I also think it would have been good customer service for DMSL to offer Miss M the opportunity to set these up again and I think they ought to have explained to her what was required to reinstate this process. But I haven’t seen any evidence to show me communication was sent to Miss M notifying her of the failed payments nor that the continuous payment process had ended.*

*Overall, I think it’s fair for DMSL to record a late payment marker for the payment in April 2022 as it was made late. But I do think there could have been better communication with Miss M about the continuous payments that had failed and also offering her the opportunity to set these up again. So, for these reasons, I currently think £50 compensation is fair.*

*Miss M has asked for a continuous payment arrangement to be set up to avoid any future issues like this and also due to her memory issue, Miss M says she finds that having continuous payments help her. I can understand why Miss M wants this set up again, but she will need to contact DMSL about this, if she hasn’t done so already.*

DMSL responded and confirmed they’ll arrange to pay the compensation amount recommended in my provisional decision to Miss M. Miss M responded and expressed her upset about DMSL’s lack of communication which could have prevented damaging her credit score. Miss M added she said she had no further comments. Both Miss M and DMSL confirmed the debt has recently been sold to another business.

### **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.

In the absence of any other information for me to consider, I see no reason to depart from my provisional decision - so I still think DMSL should pay Miss M £50 compensation and I

think it's fair for DMSL to record a late payment marker for the payment in April 2022 as it was made late.

I note both parties have confirmed the debt has since been sold to another business. So, if Miss M wishes to discuss setting up any future payment arrangements, it's likely she'll need to contact the business who now owns her debt.

### **My final decision**

For reasons I've explained, I uphold this complaint and I require Debt Managers (Services) Limited to pay Miss M £50 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 March 2023.

Leanne McEvoy  
**Ombudsman**