

## **The complaint**

Mr C complains about a default recorded on his credit file in 2019 by Link Financial Outsourcing Limited.

## **What happened**

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

*Mr C complains about a default recorded on his credit file in 2019 by Link Financial Outsourcing Limited.*

*In March 2015 Link wrote to Mr C to advise it had purchased a credit card debt in his name from a business I'll call B. At the time, there was an outstanding balance of £6,899.35 and Mr C was subject to a Debt Management Plan (DMP) with payments of £68.42 a month agreed by the DMP supervisor. The DMP payments were maintained at that level until October 2015 when they dropped by over half to £33.80. Payments were maintained around that level until September 2017 when they increased to £54.06.*

*In November 2018 the DMP payments reduced to £17.90 and in March 2019 Link issued a Notice of Default. The account was ultimately closed with a default recorded on Mr C's credit file. Mr C continued to make payments via his DMP.*

*Last year, Mr C complained to Link that it had waited too long to close and default his account. Mr C says the other businesses included in his DMP applied defaults at a much earlier point. As a result of the approach Link took, the default will remain on Mr C's credit file until 2025. Link responded to Mr C's complaint but didn't agree it had made a mistake or treated him unfairly.*

*An investigator at this service looked at Mr C's complaint. They asked Link to explain how arrears arose up to the point of default in March 2019. The investigator also asked Link to consider whether it was appropriate for it to record the default when it did. Link responded and said offers made by the DMP administrator in 2019 had led to arrears being accrued. The investigator responded and highlighted sections of CONC (industry regulations) that talk about how businesses should treat customers. The investigator didn't think Link had applied its default fairly. Link didn't agree, so Mr C's complaint has been passed to me to make a decision.*

## **What I've provisionally 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.*

*Mr C told us he entered into the DMP in 2012 and made reduced payments from that point. But here, I'm looking at Link's actions, not the original lender. Link purchased the debt at the beginning of 2015. So I'm going to focus on whether Link acted fairly from that point.*

*I've looked at the Notice of Assignment Link sent Mr C and it confirmed the outstanding credit card balance was £6,899.35. At this point, the credit card account hadn't been closed. We haven't been sent a copy of the original credit agreement. But, taking the size of the credit card debt into account, I think it's more likely than not that the DMP payment of £68.42 Mr C was making at that time was less than the contractual minimum payment he was required to make. As I've noted above, in October 2015 Mr C's DMP payments reduced to £33.80, less than half the original amount he was paying. The DMP payment remained at that level until September 2017.*

*I've looked at the level of payments Mr C's made over time and I've found it hard to get an understanding of why Link waited until 2019 to apply the default. Link's final response says the November 2018 DMP offer was below the minimum it was able to accept for the monthly payment. But I haven't seen anything that shows the contractual monthly payment was being collected. It's not clear what threshold Link used to decide whether Mr C was making sufficient payments towards the balance or how arrears were calculated.*

*The Information Commissioner's Office (ICO) issues industry guidance that sets out when it's appropriate to apply a default. The guidance is available online and says A default normally occurs when you have not met the terms of a credit agreement and your account is three to six months in arrears. As I've said, it's not clear to me what the contractual monthly payment was, as per the credit agreement. I think it's fair to use Mr C's first agreed DMP payment of £68.42, which was made until October 2015, as the starting point. In October 2015 Mr C's DMP payment reduced by over half when it was revised to £38.80. Payments were made at that level for almost two years.*

*In my view, October 2015 appears to be a reasonable date to say arrears were accruing on Mr C's account with Link. And the industry guidance says defaults normally occur when an account is between three and six months in arrears. Given Mr C was already in a DMP and making reduced payments, I think the fairest approach would be for Link to backdate the default to April 2016 – six months after the lower DMP payment started. I think that's a fairer reflection of the payments made to Mr C's debt while he was party to the DMP. I'm not persuaded that the approach Link has used in Mr C's case is a fairer way to report how Mr C's account was managed.*

*Defaults are recorded on a consumer's credit file for six years. By backdating the default to April 2016 it will have the effect of dropping off Mr C's credit file.*

*As I've said above, based on the available information I'm not satisfied the current default date of March 2019 is a fair way for Link to record how Mr C's credit card debt was managed. Having considered all the available information, I think a fairer approach would be for Link to back date its default to April 2016.*

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr C confirmed he had nothing further to add. We didn't hear back from Link.

### **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 has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still think Mr C's complaint should be upheld, for the same reasons.

**My final decision**

My decision is that I uphold Mr C's complaint and direct Link Financial Outsourcing Limited to backdate the default recorded on his credit file to April 2016.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 21 April 2023.

Marco Manente  
**Ombudsman**