

The complaint

Miss R complains Ikano Bank AB (publ) didn't set up the direct debit for repayments to her loan, leading to her going into arrears with a default ultimately being recorded.

I can see a representative supported Miss R in bringing this complaint, but for simplicity I'll just refer to her in this decision.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements below, and they form part of this final decision.

Miss R took out a loan of £3,230 to pay for some furniture. The loan was over two years, with 47 regular monthly repayments expected of £67.30 – with the final payment of £66.90 being due at the end of the two years. The loan was taken out in June 2021, and I understand the first payment was expected on 27 October 2021.

Payments weren't made, and as a result Ikano registered a default on Miss R's credit file. Following this, Miss R complained, as she'd discussed this with her bank, L, who said no direct debit for repayment of the loan had ever been set up by Ikano – but she had evidence they'd said they would set it up.

Ikano said the first payment was due on 27 October 2021, but the direct debit instruction was cancelled on 11 August 2021. Ikano said they understood Miss R had told them she didn't cancel this, but the instruction was "cancelled by payer" meaning it was cancelled by Miss R or her bank. They said they wouldn't have cancelled her direct debit without telling her.

Ikano added they'd written to her, and now know she wasn't at the address – but that wasn't something she'd told them prior to this. They also looked at their attempts to contact her by phone, and felt they'd made reasonable efforts. They said as no payments were made they issued a default notice on 30 December 2021 requiring her to pay a specific amount, by a specific date. But, as no payment was made, they then registered the default on 27 January 2022. Ikano had also added some charges because of the missed payments. Overall they didn't think they'd done anything wrong.

Unhappy with this Miss R asked us to look into things. One of our Investigators did so but found Ikano had acted correctly.

Miss R didn't accept this. She said she'd proven no direct debit was ever set up by Ikano – so, the complaint's been passed to me to decide.

Before deciding the complaint, I asked our Investigator to gather more information from Ikano, and Miss R's bank, to help me reach a fair outcome.

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.

The date of the agreement was 19 June 2021, with the first payment due to come out 27 October 2021.

In between this time, Ikano's internal notes show the direct debit was cancelled on 11 August 2021. Ikano say the information sent to them when this was cancelled was "Instruction cancelled by Payer" – and they said this means either Miss R cancelled it, or her bank did.

To help me decide the outcome of the case, we asked Ikano what they did when the direct debit was cancelled. They said usually they'd sent a text and a letter but it seems they weren't triggered on this occasion.

We also contacted Miss R's bank – and they told us no direct debit was ever set up. So, if no direct debit was ever set up, then Miss R couldn't have cancelled it, and it seems it wasn't cancelled by her bank as they've no record of it at all.

On 27 September 2021 Ikano wrote to Miss R and said:

"We'll start taking payment soon so please check your Direct Debit details are correct We've set up your Direct Debit payments to come from:"

The letter goes on to list Miss R's correct account details, and says they'll start taking payments automatically from 27 October 2021.

But, this was incorrect as when the letter was sent on 27 September the direct debit had seemingly already been cancelled six weeks earlier.

Between 27 October 2021 when the first payment was due, and 27 January 2022 when Ikano defaulted the account, I wanted to understand if Miss R was in a position to pay the loan.

The reason this is important, is because regardless of whether Ikano made an error, if she couldn't have afforded to pay the direct debit then she'd still be in the same position. But, on each of the direct debit dates, had the direct debit been collected this would have gone through as she could have afforded it.

So, as things stand then, I'm satisfied Ikano made an error leading to the direct debit not being collected – and had they not made this error, it would have gone through without any issues.

Next, I need to look at what Ikano said they did following the missed payments – to see if they've done enough to mitigate their error.

Ikano sent letters – and they say because of their letters they sent, they couldn't do anymore. Miss R didn't receive Ikano's letters, as she had to move away from home for a period of time to look after a sick relative. Ikano say it's Miss R's responsibility to update her address with them.

While Miss R's not said this, I do think the 27 September 2021 letter that says her direct debit will come out in a month is a reasonable explanation for her not having updated Ikano about her not being at home. She was told by Ikano in writing the direct debit was set up so expected it to just go through. Combined with Ikano not sending a letter or text when the

direct debit was seemingly cancelled on 11 August 2021 means she really had no reason to think the payments wouldn't go through as expected.

Ikano also say they sent four text messages:

- *29 October 2021 – “Your payment has not been received, please call Ikano Bank on...quoting reference number...”*
- *11 November 2021 – “Further to our recent communication your payment has still not been received, please call Ikano Bank on...quoting reference number...”*
- *7 December 2021 – “The matter is now urgent and we need to speak to you, please call Ikano Bank urgently on...quoting reference number...”*
- *23 December 2021 – “This is your last opportunity to contact us, please call Ikano Bank urgently on... quoting reference number...”*

Miss R said when first contacting Ikano that the phone number they held for her was actually a number for her daughter. And, she said when these text messages would have been sent then her daughter would have panicked and contacted her – so she'd have been able to sort things out.

In a later call, Miss R has since spoken to her daughter, and says her daughter told her no text messages were received. Ikano do confirm the phone number is correct for Miss R's daughter later on.

Generally, our service would accept where there has been evidence of texts being sent, then the financial business have done everything they should.

But here in the very first call, Miss R said her daughter would have contacted her if she'd received any texts – this was before she fully understood what the issues were. And, in a second call on the same day, has asked her daughter who said she didn't get any texts. Given both of these conversations were in the early stages of Miss R's conversations with Ikano meaning Miss R likely wouldn't have fully understood how pivotal this information could be, I'm persuaded by these recollections.

In summary then, I've found no evidence Miss R or her bank cancelled the direct debit, leaving me to conclude Ikano didn't set it up properly. Despite this, they told Miss R the direct debit was set up properly, and because of that she didn't feel the need to tell Ikano about her moving to look after family so she didn't get their letters – and no texts were received to notify her of the missed payments.

Responses to my provisional decision

Miss R asked if the default added by the debt purchaser would be removed.

Ikano didn't reply by the deadline.

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 answer to Miss R's question yes, the default added by the debt purchaser will be removed. Only one default should be applied for an account, and I'm requiring Ikano to take the account back from the debt purchaser.

This would in theory mean Ikano then become responsible for the default – the debt purchaser shouldn't be recording anything anymore, as this account is no longer with them. But, in the second part of my direction for Ikano, I'm telling them to remove the default. So, the next effect of this is the default (regardless of who is currently reporting it) will be removed.

As Miss R hasn't raised any further queries about the outcome, and Ikano didn't reply by the deadline, I've seen no reason to change the outcome I've reached, and still require Ikano to carry out the actions in the next section.

Putting things right

I require Ikano to:

- Arrange to take the account back from the debt purchaser
- Remove the default from Miss R's credit file
- Remove all charges applied due to the missed payments / default being applied
- Agree a new suitable repayment plan with Miss R for repayment of the debt

My final decision

I uphold this complaint and require Ikano Bank AB (publ) to carry out the actions in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 19 May 2023.

Jon Pearce
Ombudsman