

The complaint

Mr Z complains that John Lewis Financial Services Limited (“JLFS”) treated him unfairly when it defaulted his account.

What happened

Mr Z holds an account with JLFS which has been in collections since 2019. Between November 2020 and April 2023 JLFS set up payment plans for Mr Z but these have been broken due to Mr Z not making the agreed payments.

In December 2022 JLFS agreed a payment plan with Mr Z for 6 months. Mr Z agreed to pay £17.00 each month with the first payment being due on 7 January 2023. The first payment was missed so the plan was broken.

JLFS set up the plan again in February 2023. Mr Z agreed to pay on the 1st of each month, but the first payment was missed. JLFS needed a new income and expenditure from Mr Z before it could set up a further payment plan. Mr Z was advised of this during a call on 16 March 2023.

JLFS didn’t hear back from Mr Z. On 11 April 2023 it issued a default notice.

On 14 April 2023 JLFS contacted Mr Z and offered a payment plan subject to receiving a new income and expenditure. Mr Z said he was unable to go through the income and expenditure at that time.

JLFS spoke to Mr Z on 28 April 2023. Mr Z asked for a payment plan that would stop the default. JLFS advised that the default couldn’t be stopped.

JLFS issued a final demand letter on 4 May 2023 requiring payment of the full balance.

Mr Z complained to JLFS. He said he’d been told during the call on 14 April 2023 that if he completed an income and expenditure, he could have a new payment plan. He said he didn’t realise he had to do the income and expenditure that day. He said there had been no mention of the default notice at that stage and that he’d called back on 28 April to do the income and expenditure before the deadline in the default letter.

JLFS didn’t uphold the complaint. It said it had advised Mr Z that if he maintained payments under the payment plans then it wouldn’t issue a default notice or final demand, but that the plans were broken due to missed payments then this could result in a default notice being issued. JLFS said that if the full balance wasn’t paid by the date of the final demand, then the account would be closed, and a default registered on Mr Z’s credit file. JLFS offered compensation of £50 for misinforming Mr Z during the call on 14 April 2023 that he could set up another payment plan.

Mr Z remained unhappy and brought his complaint to this service.

Our investigator didn’t uphold the complaint. They said that JLFS hadn’t made an error when it sent the default notice. The investigator said that although JLFS had acknowledged that Mr

Z was given incorrect advice that he could set up another payment plan, this didn't mean that JLFS had to remove the default.

Mr Z didn't agree. He said that he believed that when JLFS said he could have another payment plan during the call on 14 April, this amounted to an agreement and the account shouldn't have been defaulted.

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've reviewed the account history. I can see that Mr Z has had several payment plans, all of which have been broken. The account history shows that only three payments have been made to the account since April 2022.

The relevant guidelines say that a lender can issue a default notice when between three and six months of payments have been missed. The account history for Mr Z's account shows that there were significant arrears. I'm satisfied that JLFS didn't make an error when it issued the default notice.

I understand that Mr Z feels that JLFS agreed during the call on 14 April that it would let him have another payment plan if he completed an income and expenditure. I've reviewed the call notes. I can see that the agent offered Mr Z a payment plan but made it clear that an income and expenditure would have to be provided first. Mr Z told the agent he wasn't able to do the income and expenditure that day. Although Mr Z has said that he understood from this conversation that if he called back by the start of May to do an income and expenditure, the account wouldn't default, I can't see that this was stated during the call. So I'm not persuaded that there was an agreement not to default the account.

JLFS has said that the agent misadvised Mr Z when it said he could have another payment plan. It has paid compensation of £50 for the incorrect advice, which I think is fair. Even if JLFS hadn't given Mr Z incorrect information, this wouldn't have changed anything because the default notice had already been issued on 11 April 2023 prior to the call.

I understand that Mr Z is unhappy that the account was defaulted. However, having reviewed all of the available information, I'm unable to say that JLFS made an error or treated Mr Z unfairly when it issued the default notice and closed the account.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 23 February 2024.

Emma Davy
Ombudsman