

The complaint

Mr L is unhappy that Capital One (Europe) plc has reported a default on his credit file and won't remove it even though he's making payments under a long term payment plan.

What happened

Mr L holds two accounts with Capital One. In 2020 Mr L experienced financial difficulties, He contacted Capital One about this and both accounts were set up on a long term payment plan.

Capital One wrote to Mr L on 20 October 2020 to confirm the payment plan and to advise Mr L that it had issued a Default Notice in respect of both accounts because the payment plan was for less than the minimum payment required on the accounts. Both accounts were defaulted on 21 November 2020.

Mr L found that the default marker was making it difficult for him to find a job and open a bank account. He was also suffering from health issues. He contacted Capital One in October 2023 to request that the defaults be removed due to health issues. When contacting Capital One Mr L experienced issues with his calls being disconnected multiple times.

Capital One didn't uphold the complaint. It said it wouldn't remove the defaults because they had been applied correctly. It said it had referred Mr L's accounts to a specialist team for review to see if the balance could be written off based on Mr L's medical situation. It explained to Mr L that if it could write off the balance on the accounts, it would tell the credit reference agencies that the accounts are satisfied and marked as partial settlement with a zero balance on them. Capital One said that this would be visible to other lenders and could still affect Mr L's ability to obtain credit in the future. Capital One apologised for the phone lines disconnecting when Mr L called and paid compensation (in the form of a credit to one of the accounts) of £30.

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

Our investigator didn't uphold the complaint. He said Capital One hadn't made an error by applying a default to the accounts and that there were no grounds to ask the business to remove the adverse information because it had been reported correctly.

Mr L didn't agree. He said that with the benefit of hindsight he'd prefer to be paying interest and charges rather than have the default on his credit file for a further three years.

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 relevant correspondence. I can see that a third party debt management company contacted Capital One in October 2020 and offered a payment plan on behalf of Mr L. On 19 October 2020 a long term payment plan was set up for less than the minimum

payment on the accounts. I don't think it was unreasonable for Capital One to accept the payment plan offer from the debt management company. This is what we would expect a business to do where a customer is in financial difficulties.

On 20 October 2020 Capital One sent letters to Mr L confirming that the accounts were on a long term payment plan along with a default notice.

Both accounts were defaulted on 21 November 2020.

I can see that Mr L has been making payments towards the accounts. There have been times between February 2022 and August 2022 when Mr L requested a payment break. I can see that Capital One responded to these requests by advising Mr L that the accounts were in default and to pay what was affordable. I understand that Mr L has made regular payments. However, because these payments are for less than the minimum payment, these payments haven't been enough to bring the accounts back up to date.

Based on what I've seen, I'm unable to say that Capital One made an error when it defaulted the accounts. It wrote to Mr L with a Default Notices in October 2020, so I'm satisfied that Mr L knew that the accounts had been defaulted.

I can't ask Capital One to remove the defaults from Mr L's credit file because they've been correctly applied.

I appreciate that the adverse information on Mr L's credit file has caused him difficulties. It may be possible for Mr L to ask the credit reference agencies to add a Notice of Correction to his credit record. This could provide an explanation of his circumstances at the time when the accounts were defaulted.

Capital One has acknowledged that there were some issues with the telephone lines when Mr L called in October 2023. I think the apology and the payment of £30 compensation is a fair resolution to this aspect of Mr L's complaint.

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 L to accept or reject my decision before 9 May 2024.

Emma Davy
Ombudsman