

The complaint

Mr B complains Home Retail Group Card Services Limited (Home Retail) won't remove a default from his credit file which it registered against his account and which he feels is unfair and disproportionate.

What happened

Mr B had an account with Home Retail which he said he had for over ten years. Mr B said he was experiencing some financial difficulties due to unexpected building costs, as well as the cost of living crisis. He also suffered an injury which left him with a reduced income as he was not able to fulfil all of his duties. He said he did not respond to the default notice for the arrears on 25 December 2022 because of his general financial situation. He has accepted this was his error, but he has also explained he had a lot to manage at the time.

Mr B complained to Home Retail on 13 November 2023. Home Retail issued a final response to the complaint on 13 December 2023. It said the default notice was issued on 25 December 2022. The notice said Mr B needed to pay the arrears of £178.20 before 17 January 2023 to prevent a default from being applied. The required payment was not made and so the default was applied to Mr B's account on 20 January 2023. It said the correspondence clearly explained the default would remain on Mr B's credit file for six years. It said it has an obligation to report accurate information to credit reference agencies and would not make an amendment. It said Mr B could issue a notice of correction.

Mr B remained unhappy and asked our service to investigate. Our Investigator issued their view explaining why they felt the complaint shouldn't be upheld. They felt Home Retail had acted fairly in recording the default. Mr B didn't agree and, to summarise, he said:

- He isn't questioning whether Home Retail had the right to issue the default, but he doesn't think it meets the test of reasonableness and proportionality. He said although it may have the legal right to register the default, it doesn't make it morally right.
- The default has the effect of being a sanction and will affect his ability to secure credit in the future. He will be heavily penalised for the next six years due to a default that reflects a narrow moment in time. He's concerned because so many essential services are credit-based including insurance and mobile phone contracts.
- His other accounts are in good order after a difficult period, and he is fast approaching the need to remortgage at a time of comparatively high interest rates. He feels the impact of the default will be disproportionate given the relatively low amount of arrears.
- He is concerned Home Retail won't consider these factors as part of the wider picture and remove the default. He accepts he had difficulties with the account, but the sum of arrears was small and needs to be compared to the impact of the default.
- Home Retail hasn't considered the longer-term relationship and the fact he has

been a loyal customer for well over a decade. He has spent considerably more than the defaulted amount.

- This occurred during the well-documented cost of living crisis when many people were struggling. This is important context which Home Retail have seemingly ignored.
- It concerns him that so severe an impact can be incurred without any right of appeal or without any threshold being applied around the level of the default.
- In respect of not contacting Home Retail himself, he said this is not an issue to be taken lightly. It was an incredibly stressful time for him, and it was a wholly unfamiliar situation where it felt like things were getting out of control. He also had a high-stress role so that's why he didn't respond to the warning letter.

As Mr B didn't agree, the case has been passed to me to decide.

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 appreciate Mr B has made it clear he is not questioning Home Retail's right to issue the default in the first place. However, he feels it is disproportionate and unreasonable in the circumstances. I want to assure Mr B I have thought carefully about everything he has said and in my decision I have focussed on the key reasons for the conclusion I have reached. It's important for me to set out the circumstances in which the default was registered so I can explain why I think Home Retail have acted fairly and why I won't be asking it to remove the default.

I've reviewed a copy of Mr B's statements from May to December 2022 and I can see the arrears were building from June 2022. The statements clearly explained immediate payment was required.

Mr B called Home Retail on 10 October 2022 and explained the reason for the arrears was because of the payment due date and a large and unexpected expense. The call note states the call handler advised Mr B of the impact to his credit file and Mr B confirmed he was up to date with priority bills. The notes show Mr B felt he would be able to make payments of £45 per month. So, Home Retail set up a short-term arrangement for three months starting in October 2022 and ending in December 2022. I've seen this was confirmed in follow-up correspondence.

Therefore, I'm satisfied Home Retail took reasonable steps to try and support Mr B when he was having difficulty meeting the minimum repayments. Mr B did not go on to make the repayments under the arrangement. Home Retail have recorded on its system notes that it called to discuss the broken arrangement with Mr B on 17 November 2022 and asked Mr B to call back. I can't see there were any further phone calls until after the account defaulted.

I've seen a copy of the default notice which was issued on 25 December 2022. It set out the arrears of £178.20 and explained Mr B must pay this before 17 January 2023. The default notice and covering letter included information about defaults and contact information for Mr B to reach out for support. Mr B has accepted he did receive the default notice, although he has noted he had a lot going on at the time. Having considered the evidence, I'm satisfied Home Retail provided reasonable notice the account would default without payment. It was fair for Home Retail to then go on and record the default when the payment wasn't made.

Mr B has also expressed his concern that Home Retail won't consider all the circumstances and remove the default. For example, he said he has been a loyal customer, it has a disproportionate effect on him, and the arrears were relatively small. In December 2023, Home Retail responded to Mr B and explained the default had been accurately recorded and reflected how the account had been managed. It set out its obligations to record this information as a responsible lender. So, I can see Home Retail sought to provide Mr B with an explanation as to why it would not remove the default.

When reporting on a default, lenders provide information on the amount defaulted and whether it has been satisfied. So, this information will be available for potential future lenders. This was also explained by Home Retail in its response. Whilst I have considered what Mr B has explained about the impact and his overall account history, I don't think Home Retail acted unreasonably when it said it would not remove the default. It reflects what happened when Mr B missed payments and did not make up the arrears. For the reasons I've set out, I'm satisfied the default was fairly recorded.

I appreciate my decision will be considerably disappointing for Mr B. But my role is to consider whether Home Retail have acted fairly and reasonably, and I'm satisfied from the evidence I've seen that they did so. They contacted Mr B about the arrears as they were building up and arranged a payment plan with a sum due which Mr B said he could afford. When the plan wasn't met, Home Retail properly issued a default notice setting out the required amount and when it was due. As the required amount wasn't received, and there was no further contact from Mr B about the arrears, it proceeded to issue the default. This was reasonable in the circumstances. As Home Retail acted fairly, I won't be asking it to do anything further to resolve this complaint.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 December 2024.

Laura Dean
Ombudsman