

The complaint

Mr K complains Ikano Bank AB (publ) failed to update his address on their systems, and this resulted in his account being unfairly defaulted.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

I issued my provisional decision on 25 March 2024. In this, I explained I wasn't persuaded Ikano had treated Mr K unfairly by defaulting his account. However, I did think their advisors should have done more to ensure Ikano held Mr K's correct address on file. Had they done that, it was more likely than not, Mr K would have received their letters about the status of his account – and wouldn't have been surprised when his account was eventually defaulted. I also didn't think Ikano had done enough to ensure Mr K had the relevant instructions on how to update his address with them.

Both parties had until 22 April 2024 to respond. Mr K accepted my provisional decision, but Ikano did not.

Ikano acknowledged it would have been sensible for their advisors to double-check Mr K's address. But they maintained it was Mr K's responsibility to give them the correct address, so they didn't agree their actions contributed to Mr K not receiving their correspondence.

I've considered Ikano's response alongside the rest of the information we have on file. However, I've not been persuaded to change my decision.

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.

Having considered everything, I'm upholding Mr K's complaint, for these reasons:

- Mr K sadly lost his job at the end of 2022, and in February 2023 he called Ikano to explain he was experiencing financial difficulties. Mr K says that during these calls he asked for his address to be updated, and to put a repayment plan in place. However, despite his requests, his address wasn't updated which subsequently contributed to his account being unfairly defaulted. As such I've had to decide if Ikano's actions (or failure to act) contributed to the unfair issuing and reporting of a default.
- I've listened to the February calls between Mr K and Ikano. In these calls Mr K explained he had no income, but he was happy to pay £10 per month towards his loan until he started working again. He explained his partner would help with the payments. The advisor was reluctant to accept the offer as she was concerned about Mr K's financial circumstances. However, Mr K insisted he wanted to make token payments to his account, as such the advisor agreed.

- I did hear the advisor clearly explain that despite Mr K's offer of payment, his account would still be in arrears because he would be paying less than the monthly contractual repayments. This meant he would receive notice of arrears, and once three months of arrears had built up, he would then receive a notice of default. The advisor went on to explain that if Mr K received a notice of default, one of two things would happen:
 1. He would continue with the token payments and his account would be defaulted; or
 2. he cleared the three months of arrears, and the default would be prevented.
- Having listened to the call, I'm satisfied the advisor correctly explained the implications of Mr K making lower repayments towards his loan. It's clear Mr K was being proactive, that he wanted to ensure he contributed to his financial obligations, and that he wanted his credit file to remain in good standing. At some points in the call, it sounded like Mr K was of the impression that making token payments would prevent adverse information being reported on his credit file. But when that happened, the advisor correctly explained Ikano would be reporting late payment markers while Mr K made £10 repayments because that was below what he was contractually obligated to pay. She, again, explained that even with the £10 repayments, Mr K would still be in arrears – and in turn, his account might be defaulted after three months if the arrears weren't cleared.
- It's good industry practice that a lender, like Ikano, defaults an account after three to six months of arrears. The evidence provided shows Mr K's account had arrears of that amount when it was defaulted in May 2023. But Mr K has argued he wasn't given the opportunity to prevent the default because the notices of arrears and notice of default were sent to his previous address.
- Regarding Mr K's address, I've heard in two separate February calls that when Mr K was asked to provide his address, the first address he gave (that matches what we have on file for him) didn't bring up any details. So, he provided an alternative address, and it was at this point the advisors could access his account. While an alternative address was provided, I did not hear Mr K ask for his address to be updated.
- Although I'm not persuaded Mr K asked to update his address in February 2023, I can't ignore the fact Ikano's advisors were given two addresses before they could locate Mr K's account. I consider it would have been sensible for the advisors to have asked questions to better understand why Mr K was unsure which address they held for him. Had they done this, it's most likely Mr K would have explained they held his former address. This in turn should have resulted in Mr K being told his address needed to be updated and how he could go about doing that.
- I've not seen anything to show Mr K spoke with Ikano again until June 2023 (after his account was defaulted). Therefore, I've had to rely on the February calls when determining what impact Mr K's address had on the issuing of the default. But given what I've detailed above, I consider Ikano's mistake contributed to Mr K not receiving the notice of arrears and notice of default.

- I've noted what Ikano has said about the terms of Mr K's account saying he should notify them about his change of address. And I don't dispute this is something a consumer should do. However, this doesn't take away from the fact Ikano's advisors were privy to sufficient information that ought to have made them realise there was a possibility they didn't have the correct address for Mr K on file. And given the reasons for his calls, and the fact Ikano needed to be able to manage his account effectively, this is something they should have followed up on. It's unreasonable for me to conclude that Ikano bears no responsible when they had sufficient information to help prevent issues with the management of their customer's account. I also can't ignore the fact that Mr K still doesn't know how to update his address and asked for clearer instructions on how to do so. So, their response to my provisional decision doesn't persuade me to change my mind.
- I consider Ikano's failure to act contributed to Mr K not receiving the correspondence they sent in April and May 2023 about the status of his account. But even if Mr K had received the notice of default, I've not seen sufficient evidence to persuade me he would have been able to bring his account up to date. I appreciate Mr K has said receiving the letters would have resulted in a different outcome, but I can't ignore the fact that he's told us he unfortunately still hadn't found a new job in August 2023. Therefore, I've not seen anything to demonstrate his financial situation had improved and he could have afforded to clear the arrears in May 2024. It's for this reason I can't fairly ask Ikano to remove the default.
- Although I don't consider the default should be removed, I do consider Ikano's mistake caused Mr K avoidable distress and inconvenience. I say this because he would have been distressed and confused when he noticed a default being reported on his credit report – particularly given how proactive he'd been in keeping his creditors updated on his financial circumstances. Ikano's' mistake also caused him inconvenience in the time and effort he spent trying to understand why a default was being reported. As such, I consider Ikano should pay Mr K £150 in recognition of the impact their mistakes had on him.
- I've noted Ikano has said Mr K would need to update his address himself via the mobile app or his online account. However, Mr K has explained he's been unable to do this and Ikano still have his previous address on file. Therefore, I consider Ikano should provide Mr K with detailed instructions on how to update his address.

For the reasons above, I'm upholding this complaint.

My final decision

My final decision is that I'm upholding Mr K's complaint about Ikano Bank AB (publ).

To put things right, Ikano Bank AB (publ) should do the following:

- Pay Mr K £150 in recognition of the distress and inconvenience caused by their mistake.
- Provide Mr K with detailed instructions on how to update his address.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 17 May 2024.

Sarrah Turay

Ombudsman