

The complaint

Mr P complains that Lowell Financial Ltd (Lowell) are incorrectly reporting a default on his credit file after it agreed to a medical write off of his account.

What happened

Mr P had a credit card account with a company I'll call A for the purposes of this decision. He fell into financial difficulties due to his own ill health and the death of a family member. This meant he fell behind with his payments and after some failed payment arrangements, A defaulted his account on 30 November 2021 and reported this to the Credit Reference Agencies (CRAs). A sold the account to Lowell on 29 September 2022 with an outstanding balance of £293.02.

Lowell continued to report the default to the CRAs. Mr P made payments totalling £33.02 to Lowell, and in January 2023, Lowell agreed to close the account as a gesture of goodwill due to Mr P's ill health. In the correspondence they had with Mr P they confirmed there would be no update to his credit file as a result of the account closure.

Mr P complained about this, he felt that as the circumstances were beyond his control the default should be removed. He also argued that A had lent to him irresponsibly in the first place so the default shouldn't ever have happened.

Lowell didn't uphold Mr P's complaint. It said A had told it that it was satisfied the default had been applied correctly and as Lowell had acquired the rights to the account it was appropriate for it to continue reporting the default for six years from the date the account defaulted. It confirmed the end date of the six years to be 30 November 2027. It went on to say it wasn't responsible for any lending decision made by A at the start of the account and so it couldn't comment on that further.

Mr P remained unhappy and so brought his complaint to this service.

Our investigator didn't uphold Mr P's complaint, they said that Lowell was acting within the guidelines set out by the Information Commissioner's Office (ICO) when reporting the account as defaulted, partially settled. Mr P disagreed and so 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 realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

Before I go into my findings, I'd like to express my sympathy to Mr P for his loss and say how sorry I am to hear about his own health conditions.

I think it's worth mentioning here that I can see that Mr P brought a separate complaint about A, alleging irresponsible lending in relation to the account at the centre of this complaint. The Ombudsman that considered the complaint didn't uphold it and said that there was no irresponsible lending.

In this case Mr P's account with A was defaulted on 30 November 2021. When an account is defaulted, this is reported to the CRAs and is displayed on a person's credit file for six years from the date of default. If that account is sold on within those six years, then the new owner of the account, in this case Lowell, takes over the reporting of the default.

When Lowell agreed to close Mr P's account it did so with a balance of £260 outstanding and so the account was not settled in full, but partially settled. Lowell has provided evidence to show this is how it is reporting Mr P's account to the CRAs.

I appreciate that Mr P feels strongly that the account should be showing as settled and the default should no longer be recorded but I don't agree. I'll explain.

I appreciate Mr P's strength of feeling about the default and his argument about irresponsible lending in the first place by A, and as explained above I can see he complained about this separately. Had the outcome of that case been different it may have resulted in the default needing to be removed from Mr P's credit file, but the Ombudsman found there to be no irresponsible lending. So, I can't consider this as a reason that Lowell should now stop reporting the default.

I've also thought about what Mr P has said about the fact his financial difficulties are due to personal circumstances that are beyond his control. And while I do empathise with him on this, Data protection law requires that the information on a person's credit file is an accurate reflection of their credit history. And in Mr P's case his credit file is showing his account defaulted on 30 November 2021 and closed as partially settled. So, I'm satisfied this is a true and factual reflection of his credit history. As such I can't fairly say that Lowell is acting unfairly when continuing to report the account in the way it is, and I won't be asking it to stop reporting the default.

I know Mr P will be disappointed with this outcome. But my decision ends what we – in trying to resolve his dispute - with Lowell - can do for him.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 December 2024.

Amber Mortimer
Ombudsman