

The complaint

Mr L is unhappy that Premium Credit Limited (PCL) reported adverse information to his credit file.

What happened

In April 2023, Mr L entered into a credit agreement with PCL. Mr L setup a direct debit to pay the monthly payments towards the outstanding balance on his credit agreement with them. The monthly payments were approximately £119 a month.

Mr L said that his direct debit for the monthly premium was due on 30 December 2023, and when PCL tried to take it on 2 January 2024, he did not realise that they had not taken it on the 30th, so he did not have enough money in the account.

He said that when he noticed this on 3 January 2024, he called PCL as he was prepared to make the payment right there on the phone, but, he said, PCL told him not to worry as they would attempt to take it by direct debit again. Mr L said the payment eventually was taken successfully on 5 January 2024. But PCL had recorded adverse information on his credit file. Mr L thinks this is unfair, since the payment was still paid within two weeks of them trying to take it. So, he raised a complaint with PCL.

In February 2024, PCL have written to Mr L. In this correspondence they quoted the credit agreement Mr L signed which said that *"Failing to make a payment when it is due, or if your Direct Debit Instruction is cancelled, will put you in breach of the terms of the credit agreement"*. They also said the consequences of this breach are also listed and include *"We may report your non-payment to credit reference agencies which will adversely affect your credit rating"*. In this correspondence PCL explained that a repayment was due on 30 December 2023, and this was requested on 2nd January 2024, but was returned unpaid by Mr L's bank, so this was reported as a missed/late repayment to the Credit Reference Agencies.

PCL also explained that they have an obligation to ensure payments are reported correctly when they are not paid on time, so they could not remove the missed payment information from his credit file. The correspondence explained that PCL are not obligated to observe a grace period when reporting missed payments and that they could only look to remove the negative marker if the late payment occurred due to an error by them. In conclusion, PCL said the negative information was reported to Credit Reference Agencies correctly.

Mr L was unhappy with this, so he brought his complaint to our Service.

Our investigator thought PCL was not required to take any further action in relation to Mr L's complaint. He thought that PCL followed the terms and conditions of Mr L's credit agreement.

Mr L disagreed with the investigator. So, the complaint 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.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time.

I am very aware I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching what I think is the right outcome. This reflects the informal nature of our Service as a free alternative to the courts.

In summary, Mr L's main complaint point is that it is unfair that PCL recorded adverse information on his credit file especially since the payment was still paid within two weeks of PCL trying to collect it. And Mr L feels that the terms and conditions of his credit agreement in relation to this are unclear. So, I have taken this into consideration.

PCL provided our Service with information that Mr L would have been given when he entered into the credit agreement. I can see that the terms and conditions of his credit agreement state that:

"Failing to make a payment when it is due, or if your Direct Debit Instruction is cancelled, will put you in breach of the terms of the credit agreement. As well as incurring the fees and charges referred to in Part B of this Agreement it can have a number of consequences, which may be severe."

The agreement then goes on and lists one of these consequences as:

"We may report your non-payment to credit reference agencies which will adversely affect your credit rating."

The agreement also states that:

"You must pay a Default Charge of £25.00 each time you miss a payment or a Direct Debit from your bank account is returned unpaid for any reason (payable at the same time as you pay the missed payment or with your next Monthly Payment, whichever occurs earlier)."

Overall, I think that it is not disputed that Mr L was provided with the above information when he entered into the credit agreement with PCL. And I think the above information made it clear enough that making a payment late will have the above-mentioned consequences.

Also, I think that, most likely, Mr L would have known what happens when a payment is due on a weekend or a public holiday. I say this because I can see that the welcome letter provided by PCL to him states that:

"If a repayment is due on a weekend or public holiday, we'll take it on the next working day."

So, it is not unreasonable that as the 30 December 2023 fell on a Saturday, the payment was requested for collection on the next working day, which was 2 January 2024.

Overall, taking all the circumstances of this complaint into consideration, I cannot say that PCL is required to take any further action. It is not in question that the payment was made late, and even though it was still paid within two weeks, it was not unreasonable that PCL reported that payment as late on Mr L's credit file. This is because their reporting was in line with the terms and conditions of Mr L's credit agreement and PCL have a duty to report accurate and fair information to credit reference agencies. It was also reasonable for them to charge Mr L the late fee, that has been incurred, as this is in line with the terms and conditions of his credit agreement.

Mr L has told us how all these issues have had an impact on him and his family's life, so I would like to express my considerable sympathy for the position Mr L is in. I know this has been a very difficult time for him. And I've considered this but while I sympathise with Mr L for the difficulties that he is experiencing, taking all the circumstances of the complaint into account, I do not think it would be fair or reasonable to ask PCL to take any further action in relation to this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 10 July 2024.

Mike Kozbial
Ombudsman