

The complaint

Miss H complains that Freemans Plc didn't provide her with the support it should have when she was experiencing financial difficulties and then defaulted her account without warning.

What happened

Miss H experienced financial difficulties in July 2023, and was behind on her priority bills. She says that Freemans was aware of her circumstances but didn't accommodate her needs. She says it then defaulted her account in March 2024 without notice.

Miss H says she was working with a debt charity and in September 2023, it provided her with an action plan which consisted of putting her account on a temporary suspension and providing a budget showing her income and expenditure. She says this information was sent to Freemans and a note was added to her account. But as she didn't have funds available to make a payment offer the a payment plan wasn't set up. In January 2024, Miss H received a default notice from Freemans and she contacted it again and says she was told the default notice would be cancelled. Miss H said she was starting a new job in February 2024 and Freemans said the account would be placed on hold.

In February 2024, Miss H received a letter from Freemans asking her to get in touch within the next 14 days and if this didn't happen, interest would be charged on her account. Miss H didn't get in touch but tried to log into her app to arrange a payment but experienced issues with this. She contacted Freemans about this but was then informed her account had been defaulted on 12 March 2024. Miss H says she wasn't given the opportunity to prevent this from happening and doesn't accept that the default notice issued in January 2024 could be relied on by Freemans as having provided notice of the default.

Freemans said that it had put Miss H's account on hold on several occasions to assist her when she was experiencing financial difficulties. It said Miss H hadn't made a payment towards the account since June 2023 and when an income and expenditure assessment was undertaken this showed Miss H to be in deficit and so a payment arrangement could not be set up. It said the default notice was issued in January 2024 and a hold placed on the account to allow Miss H additional time, but this didn't reset the collections process. When further contact wasn't received, the account was returned to 'current' and the usual process continued which resulted in the account defaulting.

Our investigator considered the evidence provided but didn't uphold this complaint. He noted that Miss H hadn't made a payment towards her account for several months and that the Information Commissioner's Office states that a creditor should start to consider defaulting an account when it is at least three months in arrears. He said that the default notice was issued after six monthly payments had been missed. Our investigator noted that Miss H informed Freemans that she had a new job starting in February 2024 and a 30-day hold was then placed on her account. Miss H was then required to make contact with Freemans, but she didn't so he didn't think it unreasonable that Freemans took further action. As Miss H's account came off hold on 29 February 2024 he said that Freemans hadn't done anything wrong by then carrying out the default in line with the notice issued in January 2024.

Miss H didn't agree with our investigator's view. She said she wasn't informed that her account had been defaulted and it was only because she contacted Freemans in March 2024 about issues logging on to the app that she was made aware of this. She said Freemans asked her to get in touch from 16 February 2024 and not doing this didn't constitute a breach. She explained she had offered to restart her payments in March 2024 when her financial circumstances had improved. She said her account had been defaulted because she didn't make contact in February 2024, not because of missed payments and she didn't accept this was fair.

As a resolution to this complaint hasn't been agreed, this case has been passed to me, an ombudsman, to issue a 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.

I understand that Miss H is upset that her account was defaulted and I appreciate that she feels she wasn't treated fairly in this process and that adequate notice of the default wasn't given. I have considered the points she has raised but for the reasons I have set out below I do not find that I can uphold this complaint.

Miss H entered into a credit agreement with Freemans in December 2022. The agreement set out the account terms including the need for Miss H to make at least the minimum payment and the impact that missed payments could have on her credit file. Miss H made the required payments up to June 2023, however she didn't make any payments after this. I can see from Freemans' collections notes that it sent Miss H a payment reminder in July 2023 and an overdue payment letter in early August 2023. Contact was made with Miss H on 10 August 2023 at which point she said she had lost her job and wasn't sure when she would be returning to work. A 30-day hold was placed on Miss H's account and an income and expenditure assessment form sent out. I find that Freemans' response was reasonable and gave Miss H time to provide further information so her financial circumstances could be fully assessed.

Miss H didn't respond to Freemans' contact through September 2023 and so I find it reasonable that Freemans sent out a notice of arrears letter to inform Miss H of the status of her account.

In October 2023, Miss H contacted Freemans asking for a payment suspension. She provided a copy of her budget sheet which showed her monthly expenses exceeded her monthly income. I note Miss H's comments that she feels appropriate action wasn't taken in response to her request at this time, but Freemans did place a hold on her account. It also confirmed that no payment arrangement could be set up as Miss H's budget showed her to be in a deficit position. I note Miss H's comment about making a token payment but as her budget showed her to have a negative monthly income, I find it reasonable that Freemans said a payment arrangement couldn't be set up as there was evidence that no payment would be affordable for Miss H at that time.

Freemans sent letters to Miss H in early November asking her to get in touch. Miss H contacted Freemans on 17 November, and it was confirmed that due to Miss H's budget showing a deficit Freemans couldn't accept a payment offer. Miss H asked for a further 30-day hold to be placed on her account which Freemans did. A further 14-day hold was then placed on the account on 16 December 2023 as Miss H hadn't made contact by that point. I find that Freemans were providing Miss H with support at this time by placing her account on hold. However, account holds are intended as a temporary arrangement, and I wouldn't

expect Freemans to continue placing the account on hold if there was no evidence that Miss H would be able to return to making her payments. Given this, I do not find that Freemans acted unreasonably by issuing a default notice dated 6 January 2024.

The default notice was issued after six months of missed payments. The default notice set out the payment that Miss H needed to make before 27 January 2024 to prevent further action being taken, including the account being terminated and the default being recorded with the credit reference agencies.

Miss H has said that Freemans breached the Consumer Credit Act 1974 by taking action before the deadline set out in the default letter. I note the point made but Freemans didn't register a default at this time. Miss H called Freemans on 12 January 2024, and it was explained that her account couldn't be put on hold indefinitely and due to a lack of contact the account had been taken off hold which then resulted in the default notice being issued. On the call Miss H confirmed she was still in a monthly deficit and so I find it was reasonable that Freemans said that an arrangement wouldn't be set up. Miss H raised concerns about the process of her account being taken off hold and it was agreed her account would be put on hold while she awaited contact from head office.

A further call took place on 16 January 2024, on which Miss H said she would be starting work in February and would receive her first wage at end March. At this point a further 30-day hold was placed on the account. I find this was reasonable. Miss H didn't make contact with Freemans during the hold period and a letter was sent dated 15 February asking her to get in touch. A further 14-day hold was placed on the account to allow time for Miss H to make contact, but this didn't happen. As no contact was made, I do not find Freemans did anything wrong by removing the hold and continuing with the collections process.

I appreciate that Miss H thinks adequate notice wasn't given before the default was provided but Freemans had issued the default notice in January 2024 and then placed the account on hold to allow Miss H more time. When she didn't make contact after the hold periods, I do not find it was required to issue a further default notice but was able to continue the collections process already set in place. This resulted in the account being defaulted.

Miss H has said the default was applied due to lack of contact and not missed payments. I have considered the point she has made but the default notice was issued due to the arrears on her account that had arisen from six months of missed payments at that time. Miss H's account was placed on hold, but no further payments were made. Freemans tried to contact Miss H about her account coming off hold but this was unsuccessful at which point I find it reasonable that it continued with its collections process. Based on this I find that Freemans applied the default due to the missed payments and arrears on Miss H's account.

Taking all of the above into account, I do not find I can say that Freemans did anything wrong or treated Miss H unfairly in this case and therefore I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 8 October 2024.

Jane Archer
Ombudsman