

## **The complaint**

Miss F complains that Grattan Plc trading as Kaleidoscope recorded her catalogue shopping account as in default.

## **What happened**

Miss F held a Freemans catalogue shopping account that was provided by Kaleidoscope. In January 2023, Grattan emailed Miss F with a final response to a previous complaint made – this complaint does not form part of the complaint I am considering in this decision. Kaleidoscope's email told Miss F that she had selected to receive online statements and it sent her emails to let her know when a new statement was produced. At the time, Miss F's account had been in arrears and Kaleidoscope said it was unable to remove the arrears as it was legally obliged to record them.

Miss F was still using her Freemans account to place orders, and was mostly keeping her account up to date, until October 2023. But on 31 October 2023, Miss F's direct debit for the minimum monthly payment of £18.63 was returned. Her account entered into arrears and Kaleidoscope applied a £12 default fee.

On 30 November 2023, Miss F's direct debit for the £38.39 minimum monthly repayment was returned, and Kaleidoscope applied another £12 default fee. Kaleidoscope sent Miss F a notice of sums in arrears (NOSIA) as she had missed her October and November repayments.

Miss F did not make her monthly repayment in December 2023. On 13 December 2023, Miss F told Kaleidoscope she was undergoing cancer treatment, was receiving universal credit and income support, and was unable to afford her payment. Kaleidoscope emailed Miss F saying it had suspended interest and charges for 30 days. It asked questions about her income and expenditure – Miss F said all the payments she was making are on low payment arrangements, and she was receiving housing benefit.

Kaleidoscope says it wrote to Miss F in January 2024 as it hadn't received a completed income and expenditure form from her. Miss F didn't make her monthly payment due by 28 January 2024, so Kaleidoscope sent Miss F another NOSIA on 29 January 2024.

Kaleidoscope's attempts to take payment on 21 and 22 February 2024 from the account ending 7045 were rejected. The screenshot of the transaction provided by Kaleidoscope shows the expiry date of the card was 05/25. A payment of £50.00 from an account ending 9010 was successful. Miss F's account was still in arrears, and Kaleidoscope applied a default reminder fee on 4 March 2024.

Miss F attempted to make payments from her account ending 7045 on 15 March 2024 but they were rejected – Miss F says she didn't know the payment failed, as Kaleidoscope sent her an email which said her payment was pending. The screenshot of the transaction provided by Kaleidoscope shows the expiry date of the card was 05/25. Kaleidoscope sent Miss F another NOSIA on 29 March 2024 – her account was now £70.45 in arrears.

On 5 April 2024, Kaleidoscope sent Miss F a default notice. It said Miss F must pay the arrears of £70.45 by 27 April 2024 or it may terminate the agreement and demand immediate repayment of the outstanding balance in full.

Kaleidoscope's attempts to take a payment of £90.35 from the account ending 7045 on 23 April 2024 were rejected. The screenshot of the transaction provided by Kaleidoscope shows the expiry date of the card was 05/25.

On 4 May 2024, Kaleidoscope produced Miss F's monthly statement, which set out the arrears of £90.35. Immediately below the summary of Miss F's account, the statement included an urgent warning that her account would soon be defaulted due to missed payments and passed to a Debt Collection Agency. Kaleidoscope went on to record Miss F's account as in default on 21 May 2024

In July 2024 Miss F complained to Kaleidoscope that it had defaulted her account. Miss F said she made two card payments of £70.45 and £90 on 15 March and 24 April 2024. She said Kaleidoscope had sent her emails saying it was processing her payments, so she wasn't aware they had failed. In response, Kaleidoscope said the payments had been declined because the expiry date entered 05/25. Kaleidoscope also said the emails it sent Miss F only said her payments were being attempted, not proof her payments had been received.

Miss F said her bank had confirmed that if she'd entered any wrong card information, it would have automatically rejected the payment and wouldn't have processed her transactions. Miss F referred her complaint to our service. She said if Kaleidoscope had told her the payments had been rejected, she would have rectified the problem.

One of our Investigators reviewed Miss F's complaint but didn't uphold it. Our Investigator said that, regardless of why the payments failed to Kaleidoscope in March and April 2024, Miss F was made aware the payments hadn't been made because she was sent a default notice. Our Investigator said it was Miss F's responsibility to ensure her contractual payments were made. As her account was in arrears, Kaleidoscope was entitled to record her account as in default when it did. Miss F disagreed, reiterating Kaleidoscope emailed her to say her payments were being processed, and she had no way of knowing her payments were returned. So, this complaint has come to me for 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'd first like to say I'm sorry Miss F has been seriously unwell and, as a result, has experienced financial difficulties. I appreciate she has made her complaint about Kaleidoscope in difficult circumstances. But having considered her complaint carefully, I've not recommended Kaleidoscope remove the default it applied to her account.

The Information Commissioner's Office (ICO) sets out that Kaleidoscope should ensure Miss F's credit file is an accurate reflection of the state of her account and, if it is in arrears, apply a default after three to six months of arrears have accrued. Miss F's account entered into arrears when her October repayment was returned to her account on 31 October 2023.

I know Miss F did not want her account to default and made a payment of £50 in February 2024, but this did not bring her account up to date. Miss F attempted to make payments in March and April 2024 to bring her account up to date. Miss F says she had no way of knowing these payments failed, and it's likely they failed because of Kaleidoscope.

I've read the evidence from Miss F's bank which said it would have rejected any payments she made if she'd entered incorrect details. But I have seen screenshots provided by Kaleidoscope, which show the attempted transactions on 15 March and 23 April 2024. All three screenshots show the card expiry as 0525 so I think this is the expiry date Miss F entered. Based on the evidence available, I think it's likely that Miss F's attempts to make payments from her card ending 7045 failed because she had entered an incorrect expiry date. I don't think there's enough evidence to show Kaleidoscope made an error when attempting to collect Miss F's payments.

I think the emails Kaleidoscope sent Miss F show only that her payments were being processed – the emails do not say the payments were successful. I think the emails make it clear her card details had not yet been verified or authorised. Whilst Miss F says she had no way of knowing her payments had not been successful, it was ultimately her responsibility to monitor her account to ensure her payments were made. Kaleidoscope provided monthly statements which set out that payments were not received in March or April 2024 and that her account was in arrears. And following Miss F's attempted payment on 15 March 2024, Kaleidoscope sent Miss F a NOSIA sent by post on 29 March 2024 and a default notice on 5 April 2024. I note Miss F's statement of 4 May 2024 also showed no payment was received on 23 April 2024 and warned that her account was about to default. If Miss F thought she had brought her account up to date making a payment on 23 April 2024, she would have expected to make her normal monthly repayment in May 2024. But there's no record of Miss F making a payment.

I'm persuaded Kaleidoscope gave Miss F access to the information that would have shown whether a payment was received and the arrears that were accruing. This is what I would expect a reasonable lender to do. If Miss F had checked her statements, she would have seen that the payments had not been successful before her account went on to default on 21 May 2024. Kaleidoscope's contact notes suggest Miss F may have thought she had set up a direct debit, but she hasn't provided evidence of that. And given Miss F knew her account would be defaulted if she did not bring the account up to date, I think Miss F ought reasonably to have monitored her statements to check payments due in April and May 2024 were successful. As I said above, it was ultimately Miss F's responsibility to monitor her account and ensure it was up to date. As the account was in arrears, I think Kaleidoscope was entitled to record the account as in default on 21 May 2024. And it is only by defaulting an account that interest and charges are permanently stopped to prevent the outstanding balance from increasing, so there is a benefit to a default.

Whilst Miss F made a payment of £50 in February 2024, this did not bring her account up to date and it was still in arrears. No payment was received in March or April 2024. As Miss F's account was seven months in arrears, but a payment of £50 was made in November 2023, I think it was reasonable for Kaleidoscope to default the account on 21 May 2024. Her credit file must be a true and accurate reflection of how her account has been managed. So, I cannot do as Miss F wishes and ask Kaleidoscope to remove the default from her credit file.

**My final decision**

I realise my decision will disappoint Miss F, but I have not upheld her complaint for the reasons set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 3 January 2025.

Victoria Blackwood  
**Ombudsman**