

The complaint

Miss L complains that American Express Services Europe Limited (AESEL) defaulted her credit card account.

What happened

Miss L held a credit card account with American Express. On 24 January 2024, Miss L had a web chat with American Express. Miss L said she fell into a financial crisis and wouldn't be able to make the minimum payment for January and February. Miss L provided a breakdown of her income and expenditure. American Express offered Miss L its long-term "Regain" program, and it would report her account as being in a repayment arrangement with credit reference agencies. If Miss L was unable to make a payment, or could only make a token repayment, the account will be reported as in default. Miss L stopped responding on the web chat, so the conversation ended. American Express wrote to Miss L to say it had suspended her credit card account.

The next day, 25 January 2024, Miss L continued her web chat with American Express. Miss L asked if her credit would be affected – she was told her account will be marked as in a temporary arrangement. Miss L asked to be enrolled in the regain program. American Express then sent Miss L a default notice. This said it had reasonable grounds to believe Miss L was unable to pay her debts when due. American Express said it can terminate her agreement at any time after 11 February 2024 and demand payment of the outstanding balance.

On 31 January 2024, Miss L used a web chat to speak to American Express. Miss L was told she could ignore the default notice – it had not issued a default, it is a notice of default if the account cancels due to non-payment. Miss L asked if the default would appear on her credit file – American Express replied it will not.

On 13 February 2024, American Express issued a final demand for payment of the outstanding balance (£3,192.71) within 28 days. The letter said steps may be taken to register the default status of the account with credit reference agencies.

On 6 March 2024, American Express said it enrolled Miss L onto its Regain plan and a debt collection agency wrote to Miss L to inform her it was now responsible for collecting the £3,192.71 owed. On 15 March 2024, the collections agency agreed to accept £1,596.36 on 15 March 2024. Miss L later asked for the payment to be moved back to 26 May 2024.

American Express recorded Miss L's account as in default on 3 April 2024. Miss L then made payments of £200 on 14 May 2024 and £1,396.35 on 29 May 2024.

American Express issued its response to Miss L's complaint on 11 June 2024. American Express said it wrote to Miss L in January 2024 to tell her that her card was suspended and missing payments may affect her credit file. When Miss L's account was overdue by 90 days, it cancelled the account on 3 March 2024.

Miss L referred her complaint to our service, saying she thought American Express's investigation was poor. Miss L told our service she ignored American Express's letter of 13 February 2024 because she'd been told previously no default had been issued and there was nothing to worry about. To put things right, Miss L asked for the default to be removed and £300 compensation.

In response to our Investigator, American Express provided a copy of its web chats and call recordings. Our Investigator reviewed these and didn't think Miss L's complaint should be upheld. The Investigator explained businesses can add a default when three to six contractual repayments had been missed, which is what had happened here. Miss L had been told she could avoid the default by making repayments of around £45 per month, but Miss L wanted to make a one off payment and was correctly told this would show as a partial settlement on £1,596.36 on her credit file.

Miss L didn't accept our Investigator's opinion. She said it wasn't made clear that a partial settlement would result in a default, so this 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.

Miss L says American Express and its collections agency were not clear a default would not appear on her credit file.

American Express sent Miss L a default notice on 25 January 2024, which she was told she should not have applied a default to her account, and she was told a default had not actually issued a default, it is a notice of a potential default if the account cancels due to non-payment. Miss L was told a default will not appear on her credit file. I don't think the information American Express provided here was clear – it was correct to say a default had not been applied, but may be in future. But when Miss L asked if it will appear on her credit report, American Express replied "No, it will not".

But on 13 February 2024, American Express issued a final demand for payment of the outstanding balance (£3,192.71) within 28 days. I know Miss L said she thought she could ignore this letter given the web chat, but I think this letter clearly says steps may be taken to register the default status of the account with credit reference agencies. A collections agency then began to deal with Miss L about repaying her outstanding balance. So, I think this letter confirmed a default may be registered after 28 days of its letter.

I have listened to Miss L's calls with the collections agency. In the calls, Miss L said she had multiple debts and wanted to make a partial repayment of £1,500 to clear her debt, Miss L asked if this account had been defaulted, she was correctly told her account would show as partially settled and had not paid the complete balance. Miss L asked if it was as bad as completely defaulting, but was told this wasn't as bad. I think the collections agency could have been clearer at this point, but she was told the account will show as partially settled.

Miss L was also told she could make monthly payments to avoid a default of around £45.02 per month, so I think she was told about the option that would avoid a default. Even if American Express, or its collections agency, had explored this further, I think it's unlikely Miss L would have been able to maintain monthly repayments. Miss L's income exceeded her outgoings, and she was having to borrow money from friends and family to make a partial payment. The £1,500 was being borrowed from family and friends. Miss L owed around £3,100 on her American Express card and £3,800 to other credit cards.

On the calls, I heard Miss L point out it would take longer for American Express to be repaid if she made monthly payments, but it is ultimately up to American Express what repayment arrangement it is prepared to accept.

The Information Commissioner's Office provided guidance that set out that American Express should default Miss L's card after three to six monthly repayments had been missed. As I said above, Miss L had indicated she could not keep up with repayments because her outgoings exceeded her income. Miss L last made a minimum monthly payment on 21 December 2023, so we would have expected American Express to register the account as in default between 21 March and the end of June 2023. As American Express recorded the account as in default on 3 April 2024, I think it recorded the default in line with these timescales.

I realise Miss L feels strongly about the default applied to her credit file. But I think American Express was entitled to record the account as in default, and partially settled. So, I cannot do as Miss L asks and order American Express to amend the information its recorded on her credit file. I have not asked American Express to pay Miss L the compensation she has asked for.

My final decision

I realise my decision will likely disappoint Miss L, but I have not upheld her complaint for the reasons explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 16 January 2025.

Victoria Blackwood
Ombudsman