

The complaint

Mr A complains Link Financial Outsourcing Limited are unfairly continuing to report a default for a credit card debt.

A representative has supported Mr A in bringing this complaint, but for simplicity I'll just refer to him in this decision.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

Mr A had an account with a company I'll refer to as M. In June 2017 he entered into an arrangement with M to repay the outstanding debt of £351.79 at £2 per month. The letter issued by M at the time says given Mr A is no longer making the minimum monthly payments his account may default. Mr A says M added the default to his credit file in 2021 but should have done so in 2017.

Mr A's account with M was sold to a debt purchaser (DP) who then assigned Link to act as their servicer of the account. The account was sold in July 2017.

Link said they applied the default to the account on 16 December 2019, because Mr A didn't keep to the terms and conditions of the credit agreement. Link suggested if M was also reporting a default, Mr A raise his concerns with them.

Unhappy with this, Mr A asked us to look into things – and clarified he was unhappy with Link reporting the default in December 2019, when he thinks it should have been done within three to six months after June 2017. There was no default reported by M.

Our Investigator looked into things, but felt the DP was responsible for the credit file reporting – rather than Link. So, she didn't uphold the complaint.

Mr A didn't accept this, saying he understands a default is applied when there is a breach of the terms and conditions – and this happened in June 2017. So, the default should have been applied earlier than December 2019. Because of that, his complaint's been passed to me to decide.

What I've provisionally 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'm aware our Investigator said there were elements of this complaint that Link weren't responsible for. But, in my view by appointing a regulated debt servicer, DP passes on responsibility for all actions under Article 60B(2) to Link. So, I'll be taking the approach that Link is responsible for the activity of exercising the lender's – in others words the owner of the debt (DP) – rights and duties under a regulated credit agreement. So, I'll be considering these elements against Link.

Link are the party who reported the default, so I think it's right to direct them to change it – if I think the default hasn't been applied correctly.

The Information Commissioner's Office sets out some helpful guidance on this issue:

A defaulted account. This may show on your credit reference file for six years from the date of the default. A default normally occurs when you have not met the terms of a credit agreement and your account is three to six months in arrears. When you repay the debt, the entry on your credit reference file should be marked as settled or satisfied.

Mr A has provided a letter dated 21 June 2017 from M, which says he's £29.73 in arrears on a credit card with a £300 limit – and the current balance is £351.79. The letter is confirmation of an agreement for £2 a month, and makes it clear the payment is less than the minimum required, so the account may default in due course.

With this arrangement, Mr A would take close to 15 years to pay off the account. Given that, I think it'd be fair and reasonable to say the account likely should have been defaulted earlier. I think this is also in line with CONC 7.3.5 (3) which says treating a customer with forbearance may include:

accepting no payments, reduced payments or token payments for a reasonable period of time from a customer who demonstrates that meeting the customer's existing debts would mean not being able to meet the customer's priority debts or other essential living expenses;

For me, the key part of this is 'reasonable period of time'. In the circumstances, Mr A was with Link from July 2017 and made payments for two years – before then not making a payment in August 2019, and having his account defaulted in December 2019. I don't think two years of token payments is a 'reasonable period of time'.

So, because of all that, I think Link need to update the default date. It's not entirely clear to me how many months Mr A was in difficulties for before his account was passed over to Link. But, the earliest Link could have reasonably reported the default without gathering more information from M, would have been three months after they got the account.

So, as Link took over the reporting of the account from July 2017, I'll require them to update the default date to October 2017 on Mr A's credit file. And, as defaults generally only last for six years, once Link have done this update the default should be removed from Mr A's credit file.

I also think Link haven't treated Mr A fairly by allowing a default to stay on his credit file for over a year longer than it should have. In the circumstances, I'm satisfied a payment of £100 to reflect Mr A's frustration on this point is a fair outcome.

My provisional decision

Mr A accepted my provisional decision.

Link replied and said 'We would be unable to backdate the default to 2017 as this would just be removed'. They provided no other comment.

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 thank both parties for replying promptly to my provisional decision.

In terms of Link's comment, the correct date of the default is October 2017. But, as they say, this would mean the default is simply removed. As I'm satisfied that's a fair outcome, I'm happy for Link to just remove the default and never reapply it – if they can't update the date.

Given the above comments, I still require Link to amend the default and pay compensation as set out below.

My final decision

I require Link Financial Outsourcing Limited to:

- Update Mr A's default date to October 2017 – or just remove it and never reapply it for this account
- Pay Mr A £100 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 April 2025.

Jon Pearce
Ombudsman