

## The complaint

Mr M is unhappy with how EUI Limited treated him when he made a late payment under a fixed sum loan agreement taken to fund a car insurance policy.

## What happened

Around June 2023 Mr M took a fixed sum loan with EUI to fund the purchase of a car insurance policy, with a provider I'll refer to as 'B'. The amount financed was £1,194.

Mr M spoke to B on 10 January 2024 to cancel his insurance policy and on 11 January 2024 EUI wrote to Mr M and confirmed this had been done. It said a final balance of £21.63 was due, which it would shortly debit from Mr M using his payment details.

On 16 January 2024 EUI attempted to collect the funds via direct debit, but this was returned unpaid.

On 17 January 2024 EUI issued a default notice to Mr M. This said Mr M had to pay £21.63 within 14 days. EUI said if Mr M didn't pay, it may terminate the agreement, demand payment of the outstanding balance or bring proceedings against him. The debt was then passed to a third party to collect.

Mr M complained to EUI at the beginning of March 2024. He said he had paid the amount due to the third party at the beginning of February 2024, but a late payment marker had still been recorded on his credit file, which he said was unfair.

EUI then issued a final response later in March 2024. This said, in summary, that Mr M made a late payment so this should correctly reflect on his credit file.

Mr M remained unhappy and referred the complaint to our service. He said he made the payment on time to the third party, and had proof of this. But he said the third party didn't pass this on to EUI at no fault of his own. He says this situation has affected his credit file.

Mr M also told our service he had been unable to remortgage his property due to the drop in his credit score and so it had cost him far more to borrow the funds.

EUI confirmed to our service that a default hadn't been applied to Mr M's credit file. It said it had recorded the payment as "*a late payment by one month and then satisfied (settled) as of 09/02/2024.*".

Our investigator issued a view and upheld the complaint. He said, in summary, that he didn't think it was reasonable for EUI to issue a default notice only six days after Mr M was notified of the outstanding balance and only one day after the direct debit had been returned. He also said while Mr M made the payment after it was due, he didn't think the payment should be recorded as late on his credit file, as Mr M had made it within 30 days.

Our investigator said EUI should remove the late payment marker from Mr M's credit file and pay him £150 to reflect the distress and inconvenience caused.

Mr M accepted the view.

EUI got in touch and said, in summary, that it thought it had acted correctly. But it also said it had removed the late payment marker from Mr M's credit file.

As EUI didn't agree with the investigator's outcome, 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.

Having done so, I think this complaint should be upheld. I'll explain why.

Mr M complains about a fixed sum loan agreement. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity. So, I'm satisfied I can consider Mr M's complaint about EUI.

It isn't in dispute here that Mr M didn't make the payment due until after 16 January 2024. So, what I need to consider here is whether EUI treated Mr M fairly when he made the late payment under the agreement.

In response to the investigator's view, EUI has removed the late payment marker from Mr M's credit file. So I don't need to consider this specific aspect of Mr M's complaint in this decision.

Our investigator concluded that EUI acted unreasonably when it issued a default notice to Mr M. Having thought about this, I agree with what he said here. I'll explain why.

A default notice can be regarded as the last step before a relationship has broken down and an account is defaulted before further action. Thinking about what happened in this specific case, Mr M owed an amount under the agreement of roughly 20% of one of his monthly payments having, I believe, made all other repayments on time.

He was informed about this outstanding balance on 11 January 2024 and was told it was due in five days, on 16 January 2024. The next day on 17 January 2024 following the direct debit being returned, EUI issued a default notice. This default notice gave Mr M 14 days to pay the amount, or said EUI may terminate the agreement, demand payment, or if not then paid bring proceedings against Mr M.

It's important to note that EUI has confirmed a default wasn't recorded on Mr M's credit file and there is a clear difference between issuing a default notice and reporting a default. But, I still think the guidance in the 'Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies' from the Information Commissioner's Office (ICO) is relevant here. This states in relation to recording defaults:

*"As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears."*

Thinking about this, clearly what is outlined above is not close to the circumstances in Mr M's case.

I've thought about these timescales carefully. Having done so, I find it wasn't fair or reasonable for EUI to issue a default notice one day after the payment became due. I think

this was excessive under the specific circumstances of this case.

I think Mr M has been caused distress and inconvenience because of what happened. I think it must have been quite shocking to receive a default notice one day after a payment became due and I think this must have caused considerable stress. I agree with our investigator that it would be reasonable to pay Mr M £150 to reflect this.

Mr M has explained this situation affected his ability to get a mortgage. When we questioned him about this, he said he didn't actually go through an application as he was told having a missed payment could affect the chances of it being approved. Mr M said he had to arrange a bridging loan instead. I've thought carefully about this. But as an application never went ahead, I can't say if it would or wouldn't have been affected by anything that happened. So, no action needs to be taken on this specific point.

### **My final decision**

My final decision is that I uphold this complaint and instruct EUI Limited to pay Mr M £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 April 2025.

John Bower  
**Ombudsman**