

## **The complaint**

Ms F complains that Marks & Spencer Financial Services Plc (trading as M&S Bank) passed her accounts to a debt collection agency and registered a default on her credit file.

## **What happened**

Ms F says M&S told her that it had received no money towards her payment plan between April 2024 and August 2024 and was selling her loan accounts to a debt collection agency (DCA). She says it registered a default on her credit file in April 2024 as it could not find the payments she'd made. Ms F says the payments were identified on 25 September 2024, but M&S paid her £100 which is insufficient given the effect it's had on her credit file.

M&S accepts that it was incorrect when it told Ms F that it hadn't received any payments since April 2024. It explained that information is transferred to a different system when an account defaults and that Ms F's accounts correctly defaulted in April 2024. M&S apologised for the incorrect information and sent Ms F £100. It adds that Ms F's repayment plan ended on 1 July 2024, and following a call with Ms F on 16 July, it was unable to reach her again to establish her financial position and transferred her accounts to a DCA.

Our investigator did not recommend the complaint should be upheld. He explained that a payment plan does not prevent an account defaulting and found that the £100 paid for the incorrect information was fair.

Ms F responded to say, in summary, that:

- She had been charged excessive interest and received a letter saying she owed a further £8,000 in interest;
- She had been assured her repayment plan was sufficient to avoid further action;
- M&S put a hold on her account when she asked it not to;
- She was not informed her account had been moved to a DCA;
- Several people told her there were missing payments – not just the one to which M&S referred;
- When she received the cheque for £100 there was no accompanying letter;
- The situation has caused her unnecessary distress.

## **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.

Ms F had two loans with M&S:

- She borrowed £12,000 on 8 May 2021, for which she needed to repay £168.43 per month for 84 months;
- She then borrowed a further £6,300 on 22 February 2023, for which her repayments were £132.90 for 60 months.

Payments on both loans were made on time until 30 November 2023.

Ms F contacted M&S in December 2023 and advised it she was in financial difficulties. M&S approved payment breaks on both loans which initially expired on 22 January 2024 and were then extended until 3 February 2024.

Following a review of Ms F's income and expenditure, payment plans were set up for both loans and Ms F paid £58 per month on the first loan and £47 per month on the second from February 2024 onwards.

As Ms F is unhappy about many aspects of her dealings with M&S, I have considered each issue separately.

#### Application of default

As no payments were received in December 2023 and January 2024, and reduced payments were made following this, Ms F's arrears triggered a default notice to be issued on 13 February 2024. This notice explained that if the account was not brought up to date, then a final demand may be issued. The final demand was sent to Ms F on 7 March 2024 and gave her 18 days to repay the full amount. The letter said that, if the payment wasn't received, her account would be closed, information would be passed to the credit reference agencies, and her details may be passed to a debt collection agency.

I can also see from the M&S contact notes that Ms F was told that the repayment plan would not prevent a default being registered. As Ms F was continuing to make the reduced payments, I'm satisfied that the conditions of the final demand notices were not met and so I don't find M&S was wrong to default both accounts in April 2024.

#### Interest charges

I've seen Ms F's credit agreements for both loans and, at the time she took out the loans, she was due to repay £14,148.12 in total on the first loan and £8,274 on the second.

I haven't seen any evidence that Ms F received a demand for a further £8,000 in interest, but I have looked at the recent loan statements. These show that, up until April 2024 Ms F had paid:

- £5,228.47 on loan 1, with a remaining balance of £8,151.61 – a total of £13,380.08;
  - M&S gave her an interest rebate of £768.04 when her account was defaulted;
- £1,382.10 on loan 2 with a remaining balance of £5,692.07 – a total of £7,074.17;

- M&S gave her an interest rebate of £1,199.83 when her account was defaulted.

So, I'm satisfied that Ms F has not been charged an additional £8,000 and that, in fact, M&S has credited interest rebates totalling almost £2,000.

#### Repayment plan preventing further action

As noted above, Ms F was told the repayment plan would not prevent a default and the letter that was sent to outline the repayment plan confirms the same.

With regard to the transfer of the account to the DCA, I haven't seen evidence that Ms F was told the repayment plan was sufficient to avoid such a transfer and the terms and conditions of her loan accounts say, "*We may transfer our rights and our obligations under this agreement to a third party...*".

In addition, both the default notice and final demand say, "*We may then pass your details to a debt collection agency...*".

So, I cannot conclude that M&S acted in error when it transferred the accounts to a third party DCA.

#### Notification of account transfers

I can't agree that Ms F was unaware that her account would be transferred to a DCA as, following receipt of a letter, she called M&S to ask about the timescales to expect contact from the DCA.

I've seen the contact notes from M&S, and it sent Ms F a letter on 4 July 2024 to explain that it needed to review her circumstances. Ms F called M&S on 16 July 2024 to say that she may be facing redundancy and would call back when she knows more details. M&S tried to contact Ms F several times between 23 July 2024 and 22 August 2024, at which point her account was passed to the DCA. I don't consider that to be unreasonable.

#### Putting the account on hold

I've listened to the call on 16 July 2024, in which Ms F notifies M&S that she is at risk of being made redundant. M&S offers to put her account on hold for two weeks, but Ms F says she won't know whether she has retained her job until after that. M&S and Ms F then agree to put the account on hold until 16 August 2024, after which Ms F was to get in contact with information about her financial circumstances going forwards.

As M&S tells Ms F that that does not preclude her from making payments and as both parties agree to the proposed action, I do not find that Ms F requested M&S not to put a hold on her account.

#### Missing payments

When Ms F called M&S on 9 September 2024, she was told that no payments had been received since April 2024. M&S has now accepted that this was incorrect information, and it confirmed this to her on 25 September 2024. Although this didn't cause Ms F any financial detriment, I appreciate this would have caused her some concerns. I can't see anyone other than the initial advisor told Ms F her payments were missing, however, I consider the £100 already paid for this to be reasonable in the circumstances.

I also note that Ms F received the cheque with no letter to accompany it, but I'm satisfied that M&S sent the letter separately with an explanation of the compensation.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 5 August 2025.

Amanda Williams  
**Ombudsman**