

The complaint

Ms A complains that AMERICAN EXPRESS SERVICES EUROPE LIMITED (“AESEL”) defaulted her credit card account, and didn’t provide her with any notice of this.

What happened

Ms A had a credit card account with AESEL. In August 2022, she let AESEL know she was having difficulty making repayments to the account.

Ms A came to an arrangement with AESEL that she would pay £300 a month. AESEL defaulted the account in April 2024 as a result of Ms A only making a payment of £50 for this month.

Ms A says she received no notification from AESEL about its intention to default the account. And that the £50 payment she made was a mistake and should have been £500.

She says the default being unfairly reported on her credit file has impacted her ability to obtain affordable credit.

An Investigator considered what both parties had said, but they didn’t think Ms A’s complaint should be upheld.

Ms A didn’t agree and because an agreement couldn’t be reached, the complaint was passed to me to decide on the matter.

I previously issued a provisional decision on this case. That’s because it was my intention to come to a different outcome to the Investigator. Because of this, I wanted to give both parties the chance to respond before I came to my final decision on the matter.

I have copied my provisional findings below, which also forms part of this final decision.

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having considered everything available to me, it is my intention to uphold Ms A’s complaint.

I think it’s important to firstly explain I’ve read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I’m aware I’ve summarised Ms A’s complaint in less detail than she has. If I’ve not reflected something that’s been said it’s not because I didn’t see it, it’s because I didn’t deem it relevant to the crux of the complaint. This isn’t intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don’t think it’s necessary to get an answer, or provide my own answer, to every question raised unless I think it’s relevant to the crux of the complaint.

AESEL recorded a default for Ms A in April 2024 – it has said it took this action because Ms A only paid £50 that month, instead of the agreed £300. Based on the information I’ve seen

so far, I'm currently of the view that the default should have been recorded in December 2022, and I'll explain why below.

In September 2022, AESEL sent Ms A a default notice and a final demand. The default notice said the account would default on or after 18 September 2022. No payment was made to the account in September or in October 2022, however, AESEL has said that Ms A set up a payment arrangement online for £300 a month in October 2022 (via a debt collection agency). Ms A made a £300 payment in November 2022, but no payment was made for December 2022.

When coming to an outcome on this case, I have considered guidance published by the Information Commissioners Office ("ICO") (see ICO publication 'Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies' (Version 2a Published July 2016 (updated to refer to GDPR and DPA 2018))). This states that an account wouldn't normally default when an arrangement to pay had been agreed and maintained. But it also states, "If your lender agrees to give you a temporary arrangement, but you fail to make the agreed payment against the new terms, they may still file a default (see Principle 4 below) as soon as a payment is missed, as long you were at least 3 months in arrears on the original agreement".

General guidance from the ICO also states that an account should default when it is between three to six months in arrears.

In this case, Ms A told AESEL that she would make monthly repayments of £300 in October 2022. But she didn't make any payment in December 2022. Ms A had previously missed payments in September and October 2022, so when she missed the December 2022 payment too, she was at least three months in arrears. So, I think AESEL ought to have defaulted the account when she broke the arrangement in December 2022. Because of this, it is my view that AESEL should put things right for Ms A by backdating the default date to December 2022.

I can see that Ms A says she didn't receive any communication from AESEL regarding the default. I can see a default notice was sent to Ms A in September 2022. And from what I can see, the notice was correctly addressed. So I think Ms A was made aware of AESEL's intention to default the account.

I appreciate that Ms A has referred to how this matter has impacted her in getting a more preferential rate on her mortgage. I accept that it likely has, given that a default is normally seen negatively by prospective lenders. That being said, Ms A's credit file should be an accurate reflection of how she has managed her account, and I'm satisfied that the account should be recorded as having been in default, just at an earlier point in time.

I've also looked to see if Ms A has been disadvantaged for any other reason by AESEL not having defaulted the account sooner, for example, if she was charged interest. But AESEL stopped charging Ms A interest in September 2022. So I don't think Ms A has been disadvantaged in any other way as a result of the default not having been recorded sooner."

Ms A accepted the findings made in my provisional decision.

AESEL responded and agreed to backdate the date of the default to December 2022. However, it said that if Ms A misses any future payments, then it would update the default date.

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 considered all of the available evidence again, I uphold Ms A's complaint for much of the same reason as set out in my provisional decision.

I note AESEL has said that it would update the default date if Ms A missed any future payments. And Ms A should keep up with her repayments in order to repay the amount she owes. But my final decision is deciding the correct default date is December 2022. A final decision, if accepted within the deadline, becomes legally binding. So, AESEL can't update the default date if Ms A accepts this final decision and subsequently misses future payments. I'd also point out that once an account has defaulted, it can't default again.

Putting things right

For the reasons I've already explained, AESEL should backdate the default date to December 2022.

My final decision

For the reasons set out above, I uphold Ms A's complaint. I order AMERICAN EXPRESS SERVICES EUROPE LIMITED to put things right for Ms A by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 7 July 2025.

Sophie Wilkinson
Ombudsman