

The complaint

Mr M complains Oakbrook Finance Limited should have defaulted the loan he had with it, rather than report it as in an arrangement, on his credit file.

What happened

Mr M took a personal loan with Oakbrook for £3,200 in February 2017. It was agreed he would repay £176.54 each month, for a total of 36 months.

In 2018 Mr M entered into a debt management plan (DMP), set up by a third party, I'll refer to as P. This enabled Mr M to come to agreements with his creditors, including Oakbrook, to make reduced monthly repayments on amounts he owed. As such, Mr M entered a temporary arrangement with Oakbrook around May 2018, initially paying back around £18 each month.

Over the next two years, Mr M continued to make his reduced monthly repayments, and on around four occasions P told Oakbrook Mr M was able to increase his monthly repayment. So his repayments eventually increased to around £30 each month.

In June 2020 Mr M asked Oakbrook to write off his loan, providing it with evidence about his health. Oakbrook agreed and the loan was written off and the account was closed. From this point, Oakbrook reported Mr M's loan as being partially settled, to credit reference agencies (CRAs).

Around December 2024 Mr M was looking to obtain a mortgage and became aware Oakbrook were still reporting the account on his credit file. Mr M said more than six years had passed since he'd entered his DMP and as other creditors had defaulted his accounts around this time, he thought Oakbrook should have done so too.

Oakbrook reviewed matters and initially said it had reported a default, but as this had now been removed, it hadn't made an error. Mr M reiterated his concerns – the account was still showing on his credit report, along with the missed payments, but it should have been removed totally after six years.

Oakbrook reviewed matters again and explained it had made an error in its initial response. It issued a further final response, explaining it didn't default Mr M's account as he hadn't broken the agreement with it. Saying, Mr M had made all his payments, albeit reduced ones. It relied on its terms and conditions as a reason not to default the account, which said it may default the account if: *"you fail to repay money due under or otherwise break any terms of any other agreement between you and [Oakbrook]"*.

It also said the account is now closed and reflecting as partially settled which is an accurate reflection of the account history.

Mr M didn't agree and referred his complaint to this Service. He said his reduced monthly payments should be considered as "token" payments and as such the account should have been defaulted around November 2018, and had it done so it would no longer be showing on

his credit file.

An Investigator here reviewed matters but didn't think Oakbrook had acted unfairly. They said Oakbrook had correctly offered Mr M forbearance, which allowed him to make reduced monthly repayments. And while the Information Commissioners Office (ICO), guidance suggests a default can be applied when arrears reach between four and six months - this isn't a requirement. They also explained as Mr M had kept up with his agreed monthly repayments, he'd not broken the agreement.

Mr M didn't agree, saying an arrangement to pay (AR) should reflect short term issues, and his DMP wasn't short term. He reiterated that other creditors had defaulted him, so considered Oakbrook should do the same.

As no agreement has been reached 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.

In doing so, I've taken into account the relevant industry rules and guidance, and what would be considered as good industry practice.

I want to start by saying I was very sorry to hear of the difficulties Mr M has faced over the years. I won't repeat those here, as our decisions are published, but I thank Mr M for sharing this information with me and I have taken it into consideration when coming to my decision here.

Mr M has referred to the ICO guidance, which says:

“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.”

He says when he entered his DMP and agreed a reduced monthly arrangement, he had in effect, broken the agreement with Oakbrook, so it should have defaulted him.

While Mr M was in a DMP and was making a lower monthly repayment than initially agreed, it doesn't mean he'd broken the agreement he entered with Oakbrook. That's because he'd entered a temporary agreement with Oakbrook, so it doesn't necessarily follow it should have defaulted him as a result.

On this point, Oakbrook referred to its terms and conditions to say as Mr M had entered an agreement with it to pay a reduced monthly amount, he hadn't broken the terms of the agreement – so it shouldn't have defaulted him. During this time, I can see Oakbrook reported Mr M's account as being in an arrangement to pay (AR). This is as I would expect and have seen its correctly reflected on his credit file in this way.

Mr M has said this should have only ever been a temporary agreement, but it continued for a number of years until Oakbrook agreed to write off the debt and close the account around June 2020.

As our Investigator has said, I would expect a lender such as Oakbrook to review a repayment plan to ensure it was still affordable and consider defaulting the account if there was no realistic prospect the account would be repaid. But here I can see P, on behalf of Mr M, offered to increase the monthly repayment on four occasions between June 2018 and

June 2020. In effect Mr M was showing he was able to slowly start increasing the amount he was repaying. It also appears Oakbrook froze any interest or charges during this time also, which it isn't required to do, as such I think it's acted fairly here also.

It's not for our Service to say whether a business should write off an account or accept a reduced settlement, but here Oakbrook chose to do so around June 2020. It did this because Mr M provided evidence to show his circumstances were unlikely to improve. Oakbrook could have defaulted Mr M's account at this point, but instead it made the decision to write off the loan and close the account – which meant Mr M was in a better position, than had it chosen to default it.

It might also be helpful to explain, a default will remain on an individual's credit file for up to six years from the date of the event, but the account will still show for up to six years from when the account is closed. Once a default is added, it doesn't necessarily follow that the account is then closed – the lender may decide to pursue further action or sell the account on to a third party. This means the account could still have shown on Mr M's account for longer than six years from any default. While it's possible Oakbrook could have chosen to default Mr M's account, that didn't happen here, but it did close the account around June 2020. This means the account would have remained on his file in any case, for up to six years from the date of the closure. But ultimately, I can't conclude Oakbrook treated him unfairly as it didn't default Mr M's account, but instead chose to close it and write off the debt in June 2020. A decision it was entitled to make and that it has reflected correctly on his credit file.

For completeness, I'm also aware Mr M has referred to another decision issued by this Service. I should say we look at every case individually, and on its own merit, but in any case, the circumstances of that case are different to Mr M's. As I've explained above, his situation appeared to be improving, as he was able to offer increased monthly repayments and Oakbrook ultimately didn't default the loan, so I can't agree he was impacted in the same way.

I was sorry to hear of the impact Mr M says this has had on his ability to obtain a mortgage, but in order to uphold that aspect of Mr M's complaint, I'd need to conclude Oakbrook made an error, which was then the sole reason Mr M has experienced difficulties in obtaining a mortgage. But in this case, I can't conclude Oakbrook has treated Mr M unfairly or made an error, so I can't hold it responsible for the outcome of Mr M's mortgage application.

In summary, while I appreciate my answer will come as disappointment to Mr M, I can't say Oakbrook has acted unfairly in not defaulting Mr M's account around 2018. That's because, Oakbrook didn't end up defaulting his account at any point and as he'd entered an agreement to pay a reduced monthly amount, he'd not broken the terms of the agreement he'd entered with it. I was also pleased to see Oakbrook ultimately chose to write off and close Mr M's account. As such, I won't be asking Oakbrook to take any action here.

My final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 August 2025.

Victoria Cheyne
Ombudsman