

The complaint

Mr C is unhappy that Capital One (Europe) plc defaulted his account not long after applying 'breathing space' to his account.

What happened

In November 2024, Mr C explained to Capital One that he was having trouble meeting his contractual payment obligations on his credit account because he was experiencing financial difficulty which had unfortunately been compounded by the death of a family member and the associated funeral costs. In response, Capital One applied 'breathing space' to Mr C's account, where all interest and charges on the account are frozen and during which they wouldn't contact Mr C to chase payment unless an important notification had to be issued.

The following month, while his account was still in a breathing space hold, Mr C was told by Capital One that they had defaulted his account for non-payment. Mr C wasn't happy about this, so he raised a complaint. Capital One responded to Mr C but noted that a breathing space hold didn't affect any collections and recoveries processes that were ongoing on the account. And because Mr C's account had been several months in arrears, Capital One didn't feel that they'd done anything wrong by defaulting the account. Mr C wasn't satisfied with Capital One's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Capital One had acted unfairly towards Mr C and didn't uphold the complaint. Mr C remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

When Mr C conversed with Capital One in November 2024, his account was six months in arrears and had a balance in excess of the agreed credit limit. Additionally, an arrears repayment plan that Mr C had previously agreed to with Capital One hadn't been adhered to by Mr C, and so had broken.

Credit providers such as Capital One are generally expected to default an account when an account is in such a significantly adverse position as Mr C's account was at that time. As such, I'm satisfied that when Mr C conversed with Capital One in November 2024, his account was in a position whereby it could fairly and reasonably have been defaulted by Capital One in the very near future.

When Mr C explained to Capital One that he had suffered a family bereavement and had associated funeral costs, I'd expect Capital One to be sympathetic to this fact, but I wouldn't reasonably expect Capital One to significantly delay the defaulting of Mr C's account that the position of his account fairly merited.

Indeed, credit providers such as Capital One have an obligation to default accounts that

have fallen into positions like Mr C's had. This is because the defaulting of an account freezes the outstanding balance owed by the account holder and prevents the account from falling further into debt, which can happen if the account isn't defaulted and if further interest and charges are incurred and further payments are missed.

Mr C might point out that the breathing space hold he was on included that interest and charges weren't being applied to his account. But such a hold is a short-term temporary measure only. And because of this, as explained, I wouldn't reasonably expect Capital One to delay their account arrears default process by any significant amount while a breathing space hold is in effect.

I'm also satisfied that when Capital One applied the breathing space hold to Mr C's account, they told him, both verbally and in writing, that if he didn't recover the position of the account soon, his account might default, regardless of the breathing space hold. Additionally, towards the end of November 2024, a default notice was sent to Mr C to the address he had registered with Capital One which explained that if the arrears on the account weren't paid by 25 December 2024, the account may be defaulted.

Mr C has said he didn't receive that letter because Capital One sent it to an address that he no longer lived at. But it was for Mr C to have updated his address with Capital One if he had changed address, and so I wouldn't hold Capital One accountable for Mr C not receiving the letters they sent to him in good faith, to the address that Mr C still had registered with them.

Ultimately, Mr C didn't make the required payment to avoid the defaulting of his account, and his account was defaulted by Capital One on 30 December 2024. Given the significantly adverse position of Mr C's account, this doesn't seem unfair or unreasonable to me. And while I appreciate that the default took place approximately six weeks after Mr C entered a breathing space hold with Capital One, I'm satisfied that it was explained to Mr C that the hold wouldn't prevent his account from being defaulted.

Accordingly, while I acknowledge the difficult personal and financial position that Mr C found himself in, I'm satisfied that the breathing space hold Capital One applied to Mr C's account shouldn't reasonably have affected Capital One's ongoing account arrears process, given the adverse position of the account – which had developed over many prior months – and that it was both fair and reasonable for Capital One to have defaulted Mr C's account at the time and in the manner that they did.

I realise this won't be the outcome Mr C was wanting, but it follows that I won't be upholding this complaint or instructing Capital One to take any further or alternative action. I hope that Mr C will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 August 2025.

Paul Cooper
Ombudsman