

The complaint

Mr M complains that JD Williams & Company Limited (“JD Williams”) refused to default his account after he entered a long-term debt management plan.

What happened

Mr M held a running account credit facility with JD Williams. Unfortunately, in 2018, Mr M’s circumstances changed which meant he fell into financial difficulties. Mr M entered a long-term debt management plan with a free debt advice company, who arranged to send token payments to Mr M’s eight creditors, including JD Williams.

Towards the end of 2018, six of Mr M’s creditors had defaulted the respective accounts and recorded this with credit reference agencies. Mr M says he understood why this happened as he had broken the terms of his contractual payments to them.

Mr M says though that JD Williams continued to report his account with no missed payments and told him they wouldn’t default his account. In early 2019, JD Williams sold the account to a debt purchaser, who then asked Mr M to pay his contractual payments including the arrears. However, as Mr M couldn’t afford this, the debt purchaser registered a default with credit reference agencies in February 2020.

Mr M complained to JD Williams. He said they should have recorded missed payments and a default on his credit file before they sold the account. JD Williams didn’t uphold the complaint. They said they’d agreed a reduced payment arrangement with the debt advice company and the payments were reported as being reduced rather than missed. JD Williams also said Mr M’s account had never got to the stage where payments had been missed consecutively. So, they didn’t think they’d made any errors on how they’d reported information about Mr M’s account.

Mr M remained unhappy and referred his complaint to our service. Our investigator recommended that it should be upheld. He felt JD Williams should have recorded a default because Mr M had not paid the contractual payments due under the account between October 2018 and February 2019. He said JD Williams should have been aware that Mr M’s financial difficulties were long-term and were unlikely to change. And recording a default would have ensured all further interest and charges on the account were stopped to protect Mr M from falling further into debt.

Our investigator recommended that JD Williams liaise with the debt purchaser to backdate the default on Mr M’s account to February 2019. And he recommended they pay Mr M £150 for the distress and inconvenience they’d caused him.

JD Williams didn’t agree. They said our investigator’s comments about the contractual payments appeared to be assumptions and Mr M’s account was only in arrears on four separate occasions (rather than consecutive). So, they didn’t agree they should have defaulted the account. JD Williams also said they sold the debt because the debt purchaser was in a better position to manage Mr M’s payment arrangements.

As the matter remains unresolved, Mr M's 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.

On first glance, I can see why JD Williams chose not to default the account. Often, it's better to hold off from defaulting an account when there's a temporary arrangement in place. Indeed, customers will often enter arrangements to stop the account from defaulting. It looks like, by not defaulting the account, JD Williams were trying to be sympathetic and considerate of Mr M's financial circumstances and were allowing him time to get back on track.

However, here Mr M entered a long-term debt management plan to repay this account. I wouldn't consider this to have been a temporary payment arrangement. As JD Williams sold the account not long after Mr M entered the plan, it doesn't look like they thought he was likely to get back on track soon either.

There seems little doubt to me that Mr M's payments under the debt management plan were significantly less than the contractual ones, which would have taken him further into arrears each month. And it seems to me Mr M's plan was likely to have gone on for quite some time. I say this bearing in mind that JD Williams told us that Mr M's payment arrangement had to be re-set on several occasions. So, I think it would have become clear that Mr M's situation was unlikely to improve soon to the extent that he would be able to clear his arrears and start meeting the contractual repayments again.

Overall, while I think JD Williams were trying to be reasonable in holding off from recording a default, I also think it would have been reasonable for them to have defaulted the account before selling it on. I note JD Williams has said they sold the account because the debt purchaser was in a better position to help manage Mr M's payment arrangement. I'm not persuaded by this argument though. Realistically, if they thought Mr M was likely to clear his arrears and get back to paying his contractual payments any time soon, they wouldn't have sold the account on. That they did only tends to support that Mr M's account should have been defaulted earlier.

I think Mr M has ultimately ended up in a worse position by dealing with JD Williams constructively compared to if for example he'd just ignored the account and let it default earlier. As things stand, credit providers are being presented with a potentially misleading default date, as it's dated some time after Mr M stopped making his contractual payments and doesn't really reflect when things went wrong. By registering the default earlier, it provides a better reflection of what really happened on the account.

To be clear, I don't think JD Williams did anything substantially wrong or tried to act unfairly. And I'm not telling them their normal process is wrong or that they need to change it. But, nevertheless, Mr M has ended up in a situation which seems rather unfair for him.

So, in these particular circumstances, I think it would be fair for JD Williams to register the account as having defaulted in February 2019. To register the backdated default, it may be necessary for JD Williams to temporarily take ownership of the account back from the current debt owner, although I shall leave that for them to decide. Ultimately, the key is that they arrange for the default to be backdated in the most efficient and prompt way.

I also think Mr M has been caused inconvenience, and I agree with our investigator that a payment of £150 is fair.

Putting things right

JD Williams should:

- Take back ownership of Mr M's account from the current debt owner, if required.
- Record (or arrange to record) the account as being defaulted on the date of Mr M's February 2019 statement, with the relevant credit reference agencies.
- If required, return the account to the current debt owner.
- Pay Mr M £150.

JD Williams may also work with the current debt owner to achieve the same result of the default being backdated.

My final decision

I uphold this complaint and direct JD Williams & Company Limited to take the action I've set out in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 December 2025.

Daniel Picken
Ombudsman