

## **The complaint**

Mrs W complains that Everyday Lending Limited (“ELL”) recorded a default against her personal loan while she was vulnerable and experiencing a period of financial difficulty.

## **What happened**

In January 2023, Mrs W successfully applied for a personal loan with ELL. The loan was for £1,000, with monthly repayments of £115.60. A few months after the loan started, Mrs W made ELL aware of some sensitive details and changes to her circumstances, which included a reduction to her income while she was on maternity leave.

Payments were maintained until October 2023 – when the direct debit was returned as unpaid. ELL contacted Mrs W, who said she’d now returned to work, but her income was less than expected due to unforeseen circumstances. She said this would reduce her earnings until the end of the year – but that she intended to resume payments in January. She asked for a payment holiday – but ELL said it could only pause the account for a maximum of one month. It agreed to go through Mrs W’s income and expenditure details to see if there was any other support it could offer – but the call dropped while this was being discussed.

In January 2024, Mrs W applied for breathing space through the Debt Respite Scheme and appointed a debt management agency (‘S’) to help her with this. This was put in place for a period of 60 days – until March 2024. During that time, she contacted ELL to let it know she was going through a phased return to work following a recent bereavement, so was still on a reduced income. She said S was putting a debt management plan (DMP) in place for her and asked that ELL not take any action on the account until it heard from them.

S initially submitted a repayment plan offer of £15.77 per month – which ELL accepted. This was later reduced to £11.77 per month, and then to £10.28. ELL told S that Mrs W could pay the amount she’d proposed – but that the offer was too low for it to accept as a long-term solution and wouldn’t prevent the account from defaulting.

Mrs W contacted ELL in April 2024, as she hadn’t been able to start making reduced payments as promised. She said her income was still reduced, but that she planned to start a new job soon and hoped to start making payments the following month.

In August 2024, Mrs W made a complaint. She said she’d discovered while applying for credit elsewhere that ELL recorded a default in May 2024. She said that as far as she was concerned, she was making payments as agreed through her DMP so didn’t understand why a default would be recorded. She also said she was promised a call back when she contacted ELL in April 2024 but never heard back from it.

ELL didn’t think it had treated Mrs W unfairly. It said the amount she’d offered to pay each month was too low to accept on a long-term basis. It said it had sent a default notice in April 2024, and Mrs W didn’t pay the arrears in time to avoid the default. It had no record of agreeing a call back in April 2024.

The complaint was referred to this service. One of our Investigators considered the complaint, but didn't think ELL had made an error by recording the default, or that it had otherwise treated Mrs W unfairly. Mrs W disagreed, and said ELL had treated her too harshly and hadn't taken her difficult circumstances into account. She asked for the complaint to be referred to an Ombudsman for a final decision. So, it's 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.

While I won't repeat Mrs W's circumstances in detail here, I'd like to reassure her that I've taken everything she's said into account. I'd like to thank Mrs W for sharing this information. It's clear she's gone through a significantly difficult time, and she has my sincere sympathy.

I can appreciate it would have come as a disappointment to Mrs W when she discovered a default had been recorded. She was under the impression that a payment arrangement had been agreed through her DMP, and that ELL wouldn't take any further action as a result. ELL, like all lenders, is required to report true and accurate information about how its customers manage their accounts to credit reference agencies.

The Information Commissioner's Office (ICO) has provided guidance for firms in its document "Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies" (which I'll refer to as the ICO's 'Principles'). This guidance sets out that in normal circumstances a default may be recorded when an account is three months in arrears – and will normally be recorded by the time it's six months in arrears. But there are exceptions to this – for instance, if a payment arrangement is agreed and the customer keeps to the terms of that arrangement. I've considered whether ELL made an error – or otherwise treated Mrs W unfairly – when it recorded the default.

When a lender is aware that a customer is in financial difficulties – or otherwise unable to pay due to a change in circumstances - it ought to take positive steps to treat them fairly by providing appropriate support, forbearance and due consideration. This can involve considering a range of possible options – and lenders should pay due regard to the best interests of their customer when doing so. There aren't any specific steps a lender is required to take, as what is most appropriate will depend on the individual circumstances of the customer.

In this case, Mrs W made ELL aware in November 2024 that her income had been impacted due to unforeseen circumstances. At the time, it offered to pause the account for one month. When Mrs W said this wouldn't be enough time for her income to recover, ELL agreed to consider her financial circumstances in more detail to see what other support it could provide. Unfortunately, the call dropped while this was being discussed – and it appears Mrs W next contacted ELL during her 60-day breathing space period when she provided further detail about her recent circumstances. After that, ELL engaged with S – who acted on Mrs W's behalf - to find a solution. It agreed that Mrs W could make significantly reduced payments as part of her DMP. Overall, I think these were reasonable steps for ELL to take in the circumstances.

The contractual payment due each month was £115.60. Arrears started to accrue from October 2023 when Mrs W missed a payment. By January 2024, the arrears had accrued to three months. Mrs W had requested breathing space from her creditors at that time – so it was appropriate that ELL didn't contact Mrs W or record a default at that stage. The period of breathing space lasted for 60 days, and during that time S submitted a repayment

proposal. While the initial proposal was accepted, this was shortly reduced to less than 10% of the contractual monthly payments – which wasn't sufficient for ELL to accept as an arrangement.

Section 3 of the ICO's Principles states:

***“Unacceptable or Token payments***

*If your lender does not agree a reduced or revised payment with you because the amount you offer to the lender is not acceptable, for example, a very low or token payment, the account will not be reported as an arrangement or a DMP negotiated by a third party.*

*Any payments you make will be reflected in the current balance, arrears will continue to accrue and a default may be recorded.”*

So, I'm satisfied that although Mrs W had offered to make monthly payments, these weren't sufficient to prevent the account from defaulting. It communicated this to S - as Mrs W had appointed S to negotiate the DMP on her behalf. Mrs W was also unable to make a payment in April 2024, by which time the arrears on the account had accrued to six months. So, I don't think it was unreasonable that ELL issued a default notice at that stage.

Mrs W contacted ELL on 16 April 2024 – a few days before the default notice was issued. A recording of the call isn't available – so I've considered what's more likely than not to have happened based on the available evidence. Mrs W recalls that she told ELL that S would be submitting a new payment proposal, and that a manager would call her back to discuss the next steps. ELL has provided a copy of the notes recorded by the call handler, which state:

*“app was oow on mat leave - app also provided sensitive info c- app called in to adv this month we will not receive a payment from (S) as she is leaving her current job and starting a new higher paying job (...) app adv she has completed a budget review with (S) as she will be on a better salary adv app we will await this from the dma - i adv app of reschedule process and what we will do once we receive fs - app understood and happy with this - adv cons in arrears and nod and default - app understood (...) data cleansed bs applied and employment updated”*

The above note is a contemporaneous record of what was said at the time – and I have no reason not to take it into account. The note suggests that Mrs W told ELL she couldn't pay that month, but that S would be submitting a further payment proposal. This is consistent with Mrs W's recollection of events. It appears there was also some discussion of the default notice.

I don't doubt that Mrs W recalls being promised a call back. It's clear that ELL agreed it would consider S' updated payment proposal before taking any further action. But even taking that into account, I don't think that means it was unfair for ELL to record a default.

I say this because Mrs W's income had been significantly affected by unfortunate circumstances outside of her control, and the payments she'd offered to make were significantly less than the contractual amount due. Although she told ELL that her circumstances would be improving soon, the payment proposal it received from S was for a lower monthly payment than previously offered.

I can't see that a further proposal was sent to ELL after that. Mrs W says she hasn't been able to work consistently since leaving her job in April 2024, and that her income is still considerably reduced. So, despite Mrs W's efforts and good intentions, I don't think there was a realistic prospect of her making significant payments soon, or that she would be able

to clear the arrears in time to avoid the default. This would be the case regardless of whether ELL agreed to call Mrs W back to discuss the matter further. To be clear, I'm not suggesting that Mrs W deliberately avoided making payments on the account. But as I've outlined, ELL was required to record accurate information about how the account was managed – and I'm satisfied that it did that by recording a default.

Mrs W says ELL treated her harshly by recording a default when it did. But I don't think it would have been beneficial for ELL to wait longer than it did to record the default. As I've outlined, lenders should normally record a default when an account is six months in arrears – which was the case here, and recording the default meant interest would no longer be applied to the account. A default will remain on a customer's credit file for six years after being applied – ELL recording the default sooner rather than later meant it will fall off Mrs W's credit file at an earlier date.

Mrs W says ELL recorded the default while she was in a period of breathing space. But the breathing space period agreed under the Debt Respite Scheme ended in March 2024 – two months before the default was recorded. The call note outlined above suggests ELL agreed to give Mrs W some additional breathing space – but I'm satisfied this was an informal arrangement specifically to allow her to submit a further payment proposal and not related to the Debt Respite Scheme. So, I don't think this meant ELL couldn't record a default.

I have considerable sympathy for Mrs W – and I appreciate this will come as a significant disappointment – but for the reasons I've explained I can't fairly conclude that ELL treated her unfairly or made an error by recording a default. So, I don't require it to remove the default or take any further action.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold Mrs W's complaint about Everyday Lending Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 14 August 2025.

Stephen Billings  
**Ombudsman**