

## **The complaint**

Mr I complains that American Express Services Europe Limited (AESEL) has defaulted his credit card account.

## **What happened**

Mr I got into financial difficulties as a result of a property he let out to a tenant. He says the tenant stopped paying rent, and they caused damage to the property which he had to pay to be repaired. In addition to this, Mr I had many other expenses, for example, his wife's visa, tax obligations and further property costs. All of this put Mr I in financial difficulties.

As a result, Mr I fell behind with repayments to his AESEL credit card. AESEL defaulted his credit account, which Mr I says has caused him even further difficulties, as he has struggled to obtain a mortgage at an affordable rate as a result of the default.

Mr I says that he wasn't told his account was going to default, for example he wasn't provided with a notice of default, and he wasn't given the opportunity to provide an income and expenditure assessment prior to the account defaulting. Mr I says that he tried to engage with AESEL throughout the period he was in financial difficulties, however he found AESEL's approach to be vague and unsupportive, he also adds that AESEL failed to meet its regulatory obligations.

AESEL considered Mr I's complaint, but ultimately, it didn't think it had done anything wrong in defaulting his account, so it didn't take further action.

An Investigator here considered the evidence provided by both parties and felt Mr I's complaint should be upheld. Overall, the Investigator didn't think that AESEL had been clear with its communication with Mr I regarding its process in defaulting the account and, as a result, the Investigator thought AESEL should remove the default from being reported on Mr I's credit file and pay him £500 for the overall impact the default had on him.

Mr I didn't agree with the way the Investigator suggested his complaint be resolved. He said the damages he incurred as a result of AESEL's actions in defaulting the account has cost him around £200,000 and so the £500 offered by the Investigator is inadequate. In his response, Mr I provided the Investigator with a detailed breakdown of the costs he says he's incurred as a result of AESEL. Since the Investigator issued their view, Mr I has continued to provide this Service with detailed submissions about why he feels the Investigator's outcome doesn't go far enough in addressing the impact caused to him and has raised further points he is unhappy about in relation to the actions of AESEL and this Service.

Because an agreement on how to resolve this matter couldn't be reached, the complaint has been passed to me to decide.

Before coming to my decision on this case, I asked AESEL if they agreed with the Investigator's view, and if they had any further comments they wanted to make. Following this, AESEL agreed to remove the default from Mr I's credit file and pay Mr I £500 compensation as recommended by our Investigator.

## **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.

Mr I has made a lot of submissions to this Service in relation to this case, and it's clear to me that he feels strongly about what's happened here. In line with the informal nature of this service, I haven't specifically commented on every point raised or referred to every piece of regulation he's referred to. But I'd like to assure Mr I that I have read and considered everything he has sent when coming to my decision in this case.

It seems to me that the crux of Mr I's complaint here is that AESEL defaulted his credit card account and reported this to the credit reference agencies. I note that Mr I has raised other ancillary points, and while I have taken these ancillary points into account when coming to an outcome, this decision will only focus on what I consider the crux of the matter to be - the default.

AESEL has already agreed to remove the default from being reported on Mr I's credit file. Because of this, I don't intend to go into too much detail here about AESEL's actions in the lead up to the account defaulting.

What I will say here though is that Mr I was in sustained arrears when the account defaulted, and there was no repayment plan in place for him to pay back what he owed. So on this basis, it doesn't seem unreasonable that AESEL would default the account. The purpose of a default is to show when the relationship between the parties has broken down to a point where it becomes clear the consumer can't meet the contractual obligations. Given the sustained arrears and lack of any plan to repay the balance on the account, it could certainly be argued that the relationship had broken down to the point of the account defaulting.

In this case though, I agree with the Investigator, in that AESEL hadn't been very clear with Mr I about what he'd need to do to prevent the default. In a letter it sent to him, it explained that he needed to 'engage' with the debt collector – but the letter didn't say that a payment plan needed to be put in place, or that this needed to be done within 90 days. Mr I did engage with the debt collector, but that appears to be to ask for more time to repay the debt. So he fulfilled the requirements of the letter he got. But AESEL defaulted the account when Mr I hadn't put a plan in place within 90 days – something which doesn't appear to have been explained to Mr I. Because of this, I'm persuaded that AESEL didn't provide Mr I with clear information about the default.

AESEL said it would remove the default from reporting on Mr I's credit file. I think this is fair and reasonable in the circumstances. While I think the account was legitimately in a position of default, I don't think Mr I was provided clear enough information for him to try and rectify the matter before the account defaulted. So removing this would seem reasonable in the circumstances.

What's left for me to decide here is what impact the default had on Mr I and what ought to happen to put that right (if anything). I have read all of Mr I's detailed comments about how he says the default impacted him.

Mr I has provided this Service with information which he says shows that the default has caused him to lose out financially – in other words, there was a direct financial loss that occurred as a result of the default. That's because he says he has had to pay higher interest rates on his mortgages as a result, and he hasn't been able to remortgage at affordable

rates, if at all. In relation to all of the financial losses he says he's been caused, he says this is around £200,000.

I have thought about this point carefully, but I haven't seen enough evidence to persuade me to agree with Mr I on this. And I'll explain why.

My rationale for AESEL removing the default from Mr I's credit file isn't because he wasn't in sustained arrears at the time. But more so because AESEL didn't communicate with him in a way that was clear. It is still possible that the account could have defaulted, even if Mr I had been provided with clearer information, given Mr I's financial position at the time.

I make this point because, Mr I appears to have attributed much of his financial difficulties and financial losses to AESEL's reporting of the default. But Mr I was in, what appears to have been, financial difficulty months before AESEL defaulted the account. The information I've seen on file suggests that the first conversations around financial difficulty happened in June 2023, although I suspect that they were going on for longer than this. What I'm saying here is that Mr I's financial problems had already been going on for some time at the point the account defaulted, so I can't fairly find that the default had caused this. When Mr I first approached this Service, it was clear that it was the multitude of increasing expenses he was incurring because of properties he rents out, tax obligations, increasing interest rates on mortgages and other such were the root cause of the difficulties Mr I was having in keeping up with repayments. So, I can't fairly conclude that AESEL were the root cause of the problems Mr I was facing with his finances.

I can see that part of the difficulties Mr I says he has now, is that the default is preventing him from being able to remortgage his properties, at better rates. Which in turn is causing him further financial difficulty.

I accept that it's likely the default on Mr I's credit file would have been a consideration for any mortgage lender at the time and no doubt a negative factor in any lending decision. That said, mortgage decisions are complex and come down to a great many different factors including a customer's overall financial circumstances. I haven't seen sufficient evidence to persuade me that, crucially, had it not been for the default, he would more likely than not have been accepted – which is what I'd need to be satisfied of here.

When Mr I first submitted his complaint to this Service, he said that for him to be able to get a mortgage, he needed the default to be removed and missed payments removing from September 2023. So, it seems to me that it wasn't just the default that was preventing Mr I from obtaining a mortgage – it was also the missed payments that had been recorded against him too.

AESEL is required to report accurate information to the credit reference agencies about how someone has managed their account. In this case, Mr I had missed payments, so it is fair and reasonable of AESEL to have reported these. Given that missed payments would also likely be viewed negatively to any prospective lender, I don't think I can fairly conclude that it was only the default that caused Mr I to not be able to remortgage his properties. And I haven't seen any persuasive evidence to suggest that he would have been able to obtain a remortgage at the rate he wanted had it not been for the default. So I can't fairly conclude that the financial losses Mr I says he incurred were as a direct result of the default. And in any event, I'm not entirely persuaded that Mr I's account wasn't in a position of default, it's just that I find it to be fair and reasonable that AESEL remove the record of the default because it hadn't communicated clearly with him about it.

As well as the information being reported by AESEL, I have seen notes on Mr I's account that suggests that in October 2023 (prior to the default being applied), he wasn't able to take

out a loan to consolidate his debt, the reason for this is noted that it was because of information on his credit file. So it would seem that there was already information on Mr I's credit file that was preventing him from being able to take out credit prior to the default having been applied to his account.

I note that more recently Mr I has alleged that the default has been applied in a way that is discriminatory against him. I haven't seen any evidence to suggest this. On the contrary, given the sustained arrears on the account, I'm persuaded that this is more likely the reason his account was recorded as having been in default.

Overall then, I'm not persuaded that the financial losses Mr I says he incurred can be attributed solely and foreseeably to the reporting of the default; and so I won't be asking AESEL to compensate Mr I here.

Finally then, I've thought about the distress and inconvenience Mr I is likely to have suffered as a result of the communication, or lack of clear communication, surrounding the default. It's seldom straightforward to decide on appropriate levels of compensation for non-financial losses. Not least because the impact on the consumer will be, by its very nature, subjective and difficult to quantify. When deciding on fair compensation, I have taken Mr I's comments into account, together with our published approach to compensation for distress and inconvenience, which can be found on our website. In addition to this, I have thought about AESEL's agreement to pay Mr I £500 for the impact the situation has had on him. Taking all this into account, I'm satisfied that £500 is more than fair in the circumstances, and so I won't be awarding more than this.

### **Putting things right**

For the reasons I've explained about, AESEL should put things right for Mr I by:

- Removing the default from his credit file.
- Paying him £500 for distress and inconvenience.

### **My final decision**

For the reasons set out above, I uphold Mr I's complaint. I order American Express Services Europe Limited to put things right for Mr I by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 11 September 2025.

Sophie Wilkinson  
**Ombudsman**