

The complaint

Mr S complains Arrow Global Massey Limited are reporting a default to his credit file when they shouldn't be.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

As I understand it Mr S had a credit card which fell into arrears. The account was sold to a debt purchaser. They appointed a debt servicer to manage the account – I'll refer to them as C. C then appointed a debt collector to collect payments – I'll refer to them as N. Later on, the account was passed from C to Arrow to service.

Mr S says after his account had been sold he was contacted by N out of the blue. Not recognising them, he asked for more information about them as they were asking him to pay the debt. He then received a default notice in May 2023. Mr S says he was worried about this, so called N – who ultimately agreed to remove the default. But, N wasn't responsible for whether the default remained or not – that was C, who said they wouldn't remove the default. N said sorry for saying they'd remove the default when they couldn't do so.

Mr S said he didn't have any letters from C, but understood they wouldn't be removing the default because of his missed payments. Mr S said Arrow were reporting the account to the credit reference agencies (CRAs) as defaulted – so he complained to them.

Arrow provided a list of the payments Mr S had made, and said because he hadn't made the payments he was required to the default had been applied correctly. Arrow added they'd discussed Mr S' account with C, who said they wouldn't remove the default but would backdate it to 17 March 2022.

Unhappy with Arrow's reply, Mr S asked us to look into things saying the basis of his complaint was that no default notice was issued, and in the absence of that, it's improper to report a default – Mr S didn't think Arrow had actually answered his complaint. Mr S referred to Section 88 of the Consumer Credit Act 1974 (s.88).

One of our Investigators looked into Mr S' complaint, and overall found Arrow weren't responsible for the actions of N or C – so she didn't think they needed to do anything further.

Mr S didn't accept this, repeating his concerns the default notice wasn't received so it isn't legal or fair that a default has been applied. So, the complaint's been passed to me to decide.

What I've provisionally 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 terms of the misinformation given to Mr S by N this isn't something I can consider. Likewise Mr S raised a complaint against C but didn't refer it in time. Mr S has explained why, and I'm sorry to read of the difficult issues he's been dealing with.

As Mr S says, s.88 does require creditors to give consumers the opportunity to remedy the breach before a default is applied.

Typically, that means repaying all of the arrears that have accumulated within a 28-day period.

Looking at the full transaction history Mr S hasn't made anything other than a token payment towards the account since December 2015 (when he paid £100). So, in the circumstances, it seems extremely unlikely to me that he'd have been able to afford repaying the arrears – which is what I suspect would have been required to avoid a default.

So, at face value, even though there was no proper default notice served, I'm not satisfied that would have made any difference – as even if one was I think it's more likely than not Mr S couldn't have afforded to pay enough to stop the default. I can't decide if legally this would be acceptable, only a court can, but I can say at this point it doesn't seem unreasonable for Arrow to have continued to report the default and not remove it.

But, as I've mentioned above, I've got the full transaction history of this account for Mr S. And, as I've said, his last full payment towards the account was in December 2015. With the default not being reported until 2022 / 2023 this concerns me.

I say that because since December 2015 any credits to his account are either refunds of various descriptions, interest adjustments or what appear to be token payments of £1 a month. Those token payments started in November 2016 and continued into October 2022 when the transaction list I have finishes.

This suggests Mr S wasn't making his contractual monthly payments since December 2015 – meaning his account would have fallen into arrears in the months afterwards. It's unclear what happened between then and October 2016. But, in November 2016 Mr S began making token payments – so, at this point, I think it's fair to say we know Mr S was in an arrangement he was unlikely to ever recover from.

The Information Commissioner's Office (ICO) says financial businesses should usually report defaults within three to six months of someone being in arrears. It's not unreasonable to delay reporting arrears if someone is in an arrangement to pay – but an arrangement to pay is meant to be a short-term measure. So, realistically Mr S' account could reasonably be expected to have been defaulted sometime between February 2017 to May 2017.

Although Arrow didn't register the default (C did) and they aren't responsible for not reporting the default by May 2017 (his credit card provider might be) – Arrow should be aware of the ICO's requirements and they did have Mr S' transaction listing.

In a lot of cases, I think it'd be fair to say it's not for Arrow to necessarily question the original lenders actions in defaulting / not defaulting – as that's a decision for them to make. But in a situation where Mr S is disputing the validity of the default in the first place it doesn't seem unreasonable to expect to check it's fair for a default to be applied.

It's unclear if Arrow have, but had they done so, I think they could have reasonably questioned this. Given the length of time token payments started from – close to nine years

at this point, and around six years from when the default was going to be backdated to in March 2022 – I think they should have realised this wasn't treating Mr S fairly.

I've also thought about Arrow saying they'd backdate the default – I think this is them accepting there was a problem with the date it was recorded. With that in mind, and given the context I've explained above, I don't think Arrow landed on the correct date to backdate the default to.

I'm going to require Arrow to backdate the default to 1 May 2017. The reason for requiring Arrow to backdate it is because an account can only be defaulted once. And, in this case, it'll mean the default for Mr S is removed as it'll have been more than six years.

Because I think Arrow should have realised the default hadn't been applied fairly, I also think it's reasonable to award Mr S some compensation. In deciding a fair figure I can't ignore that Mr S did raise a complaint to C about the default, and then didn't refer the matter to us when they rejected his complaint. The first outcome from C was 29 June 2023. I have noted Mr S' comments that he struggled to deal with C's correspondence, and he has my sympathies for that, but I don't think it'd be fair to hold Arrow responsible for his delay when they weren't even responsible for the account initially.

So, taking everything into account, I think a fair amount of compensation is £150 for not backdating the default to what I think is a fairer date when I think they should have.

I'm also prepared to consider any financial losses Mr S is able to demonstrate. If Mr S wants to claim financial losses he'll need to provide our service with a full credit report plus any evidence he wants me to consider. One aspect he's talked about is about a mortgage. If he's able to show any lending was explicitly turned down purely because of this default then I'll consider that. To be clear, the notification generally has to come from the lender direct and specifically say it was because of the default Arrow are reporting – and if it doesn't, then I'm unlikely to award those costs as I can't be satisfied this default was the reason for them.

If I'm considering awarding financial losses, I'll contact Arrow before finalising my decision with Mr S' evidence and asking for their comments. I'd arrange for Mr S to be provided with a copy of the contact to Arrow in those circumstances so he also has the opportunity to comment.

If I'm not planning on awarding any financial losses, then I'll most likely go ahead and finalise my decision without further reference to either party.

Responses to my provisional decision

Mr S accepted my decision, and didn't claim for any additional costs.

Arrow disagreed. In summary they said:

- The credit card provider agreed reduced payments which were being maintained – and Section 3 of the ICO's Principles for the Reporting of Arrears Arrangements and Defaults at Credit Reference Agencies (ICO guidance) supports this.
- While the above section says arrangements should revert to contracted terms this is a general expectation, not an actual requirement.
- And Section 4 of the ICO guidance says once an arrangement is agreed a default wouldn't usually be recorded unless the arrangement is broken.

Arrow added £15 was received on 2 May 2023, but is the only payment received since October 2022.

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.

I've read over Section 3 and 4 of the ICO guidance Arrow have referred to – and in other cases it's likely I'd agree with them. Mr S did agree a payment plan, and did keep to that payment plan. As Arrow says, the ICO guidance suggests in those circumstances no default should be recorded.

But, Arrow are seemingly not taking into account the purpose of a temporary arrangement, along with the amount of Mr S' payments.

Amongst other things, the guidance says:

If, due to financial difficulty, your lender agrees a reduced or revised payment with you, this will be reflected on your credit file. How revised or reduced payments are shown on your credit file will depend on whether it is a temporary or permanent change to the agreement. The account may or may not be in arrears at the time of the change.

I've seen nothing to suggest Mr S' credit provider intended the arrangement to be a permanent one – and in context that wouldn't make sense. I say that because the agreement was for £1 a month on a balance of £2,173.27. This would take around 180 years to repay – so clearly can't have been a permanent arrangement.

The ICO guidance goes on to say:

Depending on the period and amount of the arrangement, arrears may continue to be reported. Such temporary arrangements may last for some time but are generally expected to revert to the contracted terms at some future point. For such accounts arrears may continue to be calculated in accordance with the contracted terms.

And under the heading of Unacceptable or Token Payments, the ICO guidance says:

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.

Taking all of this into account, I think it's fair to say Mr S' arrangement of £1 a month was a token payment. It likely couldn't have cleared any arrears or the outstanding balance within Mr S' lifetime so can't be considered a permanent arrangement.

With that in mind, this must have been recorded as a temporary arrangement. And while I take Arrow's point the guidance says 'generally' these agreements should revert to the contractual terms – suggesting that doesn't always need to happen – in context I still think Arrow haven't chosen the correct date for the default.

Mr S was making token payments for a significant period of time – and I think Arrow should have selected 1 May 2017 for the date of the default to be backdated to. And, by not doing so, this caused Mr S distress which could otherwise have been avoided – so I remain of the opinion backdating the default and paying £150 compensation is fair.

My final decision

I uphold this complaint and require Arrow Global Massey Limited to:

- Backdate the default to 1 May 2017
- Pay Mr S £150 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 October 2025.

Jon Pearce
Ombudsman