

The complaint

Mr R is complaining about how North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank (CCB) reported his loan to credit reference agencies (CRAs).

What happened

In September 2022, CCB granted Mr R a £3,000 loan. The term was two years, and he needed to pay around £170 per month throughout the term.

Mr R made most of his payments on time for the first year, but his payments became more sporadic after that. CCB contacted him repeatedly about his arrears and then, in January 2025, issued a Notice of Default. In February 2025, they issued a formal demand for the outstanding balance of £473.19 and defaulted the account, registering the default with CRAs.

Mr R complained to CCB later that month, saying they shouldn't have defaulted his account. CCB didn't uphold Mr R's complaint – they said they'd discussed the account with Mr R shortly after they'd sent him the Notice of Default. But, they said, he hadn't returned the income and expenditure form they'd sent or contacted them again, so the account was defaulted. CCB said by this stage the account was over 90 days in arrears, with no plan in place. And they said previous plans and promises to pay had failed. So, they said, the default was applied correctly and wouldn't be removed.

Mr R remained unhappy and brought his complaint to our service where one of our investigators looked into it. She didn't uphold Mr R's complaint, saying CCB applied the default in line with the terms of the loan agreement and in line with industry guidelines. Mr R didn't accept our investigator's view. He said he'd tried to get payments set up before he went on holiday, but CCB had just given excuses as to why he couldn't do this. He provided evidence that he was out of the country for much of February 2025, and said that once he'd got back from his holiday he'd made the necessary payments, and the loan was cleared. He said he doesn't want the default on his credit file. He asked for an ombudsman to look into the complaint – and the matter's been passed to me.

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.

Having done so, I'm not upholding Mr R's complaint for broadly the same reasons as our investigator. I appreciate this will be disappointing for him but I'll explain further below.

The Information Commissioner's Office says that in general, an account may be defaulted when a debtor is at least three months in arrears, and normally by the time a debtor is six months in arrears. It also says if an arrangement is agreed, a default wouldn't normally be registered unless the terms of that arrangement are broken.

CCB defaulted Mr R's account in February 2025. This was four months after the agreement was due to have ended, and he still owed them over £450. And there was no agreed

arrangement in place at that time. So, on the face of it, CCB's decision to default Mr R's account appears fair and reasonable.

The crux of Mr R's complaint is that he called CCB after receiving the Notice of Default to try to set up a payment plan, but they still defaulted him. I've listened to that call, which took place on 24 January 2025, two days after the Notice of Default was issued. During the call, Mr R said he was going on holiday and wasn't sure what his spending would be like over the coming weeks. So, he was looking to set up a payment plan starting from the end of February. CCB explained that they couldn't reinstate the normal monthly direct debit because the loan term had already expired. They also said they couldn't set up a payment plan because the most recent income and expenditure assessment Mr R had completed showed that it wouldn't be affordable for him to make any payments against the loan and he was telling them his finances hadn't changed since he'd completed it. They sent him a new income and expenditure form that same day and asked him to complete this and call them back once he'd done so.

I appreciate that Mr R was trying to set up a payment arrangement to avoid a default on his credit file. And I can understand that it would have been frustrating for Mr R that CCB wouldn't do that when he asked them to. But the reasons they gave were reasonable – it wouldn't be appropriate for them to set up a repayment plan that didn't seem to be affordable for Mr R. I'm satisfied that CCB made it clear to Mr R what he needed to do to avoid a default. I don't think these were unreasonable steps to ask him to take. And they also suggested speaking to a debt charity if he needed advice.

In addition, the Notice of Default CCB sent in January 2025 wasn't the first time Mr R had been warned that his account might default. CCB had sent him multiple letters about his arrears prior to this. And they'd warned him on the phone in August, September and October 2024 about the possibility of the account defaulting. They'd allowed him breathing space at times during the course of the agreement – holding off charging interest during that time. So I'm satisfied CCB treated Mr R fairly and with appropriate forbearance – he'd had plenty of opportunities to get the account back up to date.

When Mr R called to complain about the default having been applied, he gave various reasons for not having taken the necessary steps – he said he'd been unable to follow the link sent, had been abroad without phone service, had been unwell, and had been busy. While I appreciate the difficulty of the situation Mr R was in, I can't say this was CCB's fault. I'm satisfied the Notice of Default made it clear that if Mr R hadn't paid the arrears or agreed an arrangement within 14 days then the account would be defaulted. It was clear the matter should be treated as urgent. I haven't seen any evidence that Mr R attempted to contact CCB again after 25 January 2025 and before he went abroad on 2 February 2025. The next contact between him and CCB was on 17 February 2025, over a week after the deadline given in the Notice of Default had passed.

In summary, then, Mr R didn't pay off his arrears or agree an arrangement with CCB within the deadline set out in the Notice of Default and I'm not persuaded this was CCB's fault. So, I can't say CCB should remove the default.

My final decision

As I've explained above, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 November 2025.

Clare King

Ombudsman