

The complaint

Miss N complains that Lendable Ltd ('Lendable') reported a default to her credit file and didn't communicate clearly with her about this. She'd like her credit file amending.

What happened

In May 2022 Lendable gave Miss N a 24 month personal loan. Miss N fell into arrears and Lendable reported a default to her credit file in May 2023. Miss N complained that this significantly impacted her credit file and her mental health, and that Lendable hadn't sent a default notice or discussed the default with her during a call in April 2023.

Lendable didn't uphold Miss N's complaint. They said they'd advised Miss N they'd register a default when she reached six months of arrears, and they didn't agree to remove this.

Miss N referred her complaint to the Financial Ombudsman Service and our investigator considered the available evidence and information from both parties. He thought the default had been registered fairly, in line with Lendable's reporting obligations.

Miss N provided evidence to show she'd prioritised paying creditors who had issued a default notice, and said she'd have avoided the default if Lendable had sent her a default notice. She asked for an ombudsman's decision.

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 taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having done so I have decided not to uphold Miss N's complaint. I'll explain why, though I broadly agree with our investigator.

The Information Commissioner's Office ('ICO') sets out guiding principles for businesses reporting arrears, arrangements and defaults. This sets out that by the time an account is at least three months in arrears, and normally by the time an account is six months in arrears, it's generally expected that a default will be registered with the Credit Reference Agencies ('CRAs').

The ICO explains on their website in their information to the public that even if there is a requirement under the Consumer Credit Act 1974 to issue a default notice, there is no data protection obligation on a lender to issue such a notice to individuals prior to marking the account as being in default on their credit file. I think that's because defaulting an account and reporting a default to the Credit Reference Agencies are two distinct things, though they share the same name and often happen around the same time.

Miss N spoke with Lendable on 5 April 2023, and I've listened to the call recording. Lendable's agent advised that failing to pay the monthly instalments would lead to missed payments being recorded on Miss N's credit file until the arrears were cleared. Miss N said she intended to pay that month and would look to reduce her arrears. I don't agree Lendable communicated unfairly with Miss N in this call.

Before the default was registered, Miss N received notices of sums in arrears. The notice sent on 10 March 2023 said, *"We are also required to advise you at least 28 days in advance if we intend to register a default... It is our intention to default your account if your arrears are in excess of six monthly payments."*

I've reviewed Miss N's evidence and it's clear Miss N was facing challenging financial circumstances in 2023. But Miss N says if she received a statutory default notice, she'd have prioritised paying Lendable as she was paying other lenders who were ready to default her accounts at a similar time.

I'm satisfied that Lendable gave Miss N advance warning of the default being registered, and that Miss N was aware of the level of the arrears in April 2023. I think Miss N was given a fair opportunity to avoid the default being registered and reduce the impact on her credit file.

As Miss N's account reached six months of arrears in May 2023, there is nothing to persuade me that Lendable should not have reported a default to the CRAs when they did. I think they were obliged to take that step in accordance with the ICO's guidance.

I also think this was a fair approach for Lendable to take, as an extended period of reported missed payments would likely have remained on Miss N's credit file for longer than a default marker, and would likely have prolonged the negative impact on her ability to get credit.

I am sorry to disappoint Miss N, but in these circumstances I won't ask Lendable to remove the default from her credit file as I think this fairly and accurately reflects what has happened with her account. If Miss N settles her account she can expect to see the default status on her credit file changed to reflect this, but I wouldn't expect the default to be removed until May 2029.

I recognise this has been a difficult time for Miss N and I hope her situation has improved. If Miss N needs support with money matters, she can obtain free, reliable and independent advice from MoneyHelper. They can be contacted at <https://www.moneyhelper.org.uk/en> or by calling 0800 011 3797.

My final decision

For the reasons I've given, I don't uphold Miss N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 13 April 2026.

Clare Burgess-Cade
Ombudsman