

The complaint

Mr E complains Sky UK Limited unfairly defaulted his credit agreement.

What happened

In December 2022, Mr E entered a fixed sum loan agreement with Sky to acquire a tablet, which was to be repaid over 36 months.

In March 2023, the monthly direct debit was returned, meaning Mr E's account fell into arrears. Sky tried to collect the payment again but was unsuccessful. As the direct debit had failed twice, Sky messaged Mr E to say the payment method had switched to invoicing and he could review his payment options online.

Sky wrote to Mr E in April and May 2023; to say it still hadn't received a payment towards the account and that he needed to take action to resolve this. Hearing nothing further, Sky issued a notice of default in July 2023, explaining Mr E's account was in arrears of three months and he needed to bring his account up to date by 3 August 2023, or his account would be terminated.

In February 2024, as the account remained in arrears, Sky terminated the agreement and recorded a default on Mr E's credit file.

Mr E complained, he said he repaid the arrears when he was made aware and hadn't been informed his direct debit had been cancelled. He therefore asked that the default be removed from his credit file.

Sky doesn't agree it's made an error in defaulting Mr E's account. It says due to a technical problem it didn't default the agreement until February 2024, however as the account was still in arrears, this was a reasonable decision for it to make.

Unhappy with Sky's response, Mr E referred his complaint to the Financial Ombudsman. One of our Investigator's looked into what happened, she thought Sky was entitled to default the agreement as it had been in a period of sustained arrears. However, she thought Sky should amend the default date to 3 August 2023, which was the original date Sky required Mr E to remedy the breach as set out in its notice of default.

Sky accepted our Investigator's opinion and amended the default date. Mr E disagreed, he said Sky hadn't provided sufficient notification of the arrears and had it done this, he would have ensured they were paid.

As the matter wasn't resolved, the complaint has 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.

I've given consideration to the relevant rules and regulations applicable to this complaint and while I may not comment on everything (only what I consider is key) this is not meant as a discourtesy to either party, rather reflects the informal nature of our service.

Mr E complains Sky has unfairly defaulted his credit agreement, so I've started by reviewing whether Sky acted reasonably in taking this action.

The Information Commissioner's Office (ICO) says that when a consumer is at least three months behind with their payments then a default may be registered. It also says it would expect a default to be registered by the time the consumer is six months behind with their payments. That's what happened here.

Mr E was in a sustained period of arrears – beginning in April 2023, with no payment being made until the end of July 2024. In Sky's notice of default issued on 13 July 2023, it set out that Mr E needed to pay £69 by 3 August 2023, or the agreement would be terminated.

Following this letter Mr E made three payments towards his account before 3 August, totalling £34.50. So, this wasn't sufficient to remedy the breach as set out in the notice of default.

Mr E then made further payments to bring the account up to date later in August 2023, alongside making his monthly payments in September and October 2023, however I'm not aware that the monthly payments were made after this. In reviewing Mr E's account in February 2024, Sky identified that Mr E's account was still in arrears as the monthly payments hadn't been maintained as required.

Therefore, based on the evidence available it appears Sky complied with the guidance set out by the ICO and was reasonable in its decision to default the account given Mr E didn't settle the arrears set out in the notice of default in time and given the persistent state of arrears.

Our Investigator recommended Sky amend the default date to 3 August 2023 from February 2024. In the circumstances I think this is fair, as Mr E didn't bring the account up to date as required by the notice of default issued in July 2023. As the default will remain on Mr E's credit file for six years, this means it'll then come off sooner than had it been recorded from February 2024.

My understanding is Sky has now amended the default to reflect that it was applied in August 2023, so I don't intend to direct it to do anything further in relation to this point.

I've also given consideration to Mr E's concerns that Sky didn't make him aware that his account was in arrears or at risk of default. In doing so, I understand Sky contacted Mr E via SMS when his direct debit was initially unsuccessful and to explain that the payment method had switched to invoice.

Following this Sky wrote to Mr E numerous times in relation to the outstanding arrears and to issue the notice of default. Sky is required to send certain correspondence in writing and sent these letters to the address Mr E had provided, which is the same as the address our Service has been provided, so I haven't found Sky made an error in how it corresponded with Mr E.

I've taken on board Mr E's comments that having made payments in August, September and October 2023, he understood his direct debit would be reinstated. I haven't however seen any evidence that this was discussed and as the direct debit had previously been cancelled a new one would need to be set up, requiring Mr E's consent. Without evidence of this, and

as Mr E had made the payments for the previous months, I don't then find Sky was wrong to default the agreement in February as the notice of default hadn't been remedied in time in August 2023 and the account remained in arrears in February 2024. As a result, I don't find Sky is unreasonable in recording a default to the credit reference agencies.

For completeness I understand Mr E has also raised concerns that Sky and a debt collection agency are both reporting details of the default to his credit file. My understanding is this is currently being reviewed as a complaint by Sky, so isn't something I'm able to comment on further in this decision. If having received Sky's response to this complaint point, Mr E remains unhappy, he can refer this as a separate complaint to our Service for review.

My final decision

For the reasons I've explained above, I uphold this complaint. To resolve matters, I direct Sky UK Limited to amend the default date to 3 August 2023, if it hasn't already done this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 13 February 2026.

Christopher Convery
Ombudsman