

The complaint

Miss K complains Marks & Spender Financial Services Plc trading as M&S Bank defaulted her credit card account.

What happened

The background to this complaint is well known to both parties, so I won't repeat it at length here. In summary, Miss K holds a credit card account with M&S Bank.

In June 2024, Miss K entered into a payment plan to repay her credit card balance with M&S, due to a change in her circumstances. The July 2024 payment was received late, meaning the payment plan was broken. A new payment plan was set up in September 2024, however again this was broken due to a late payment in October 2024.

Miss K spoke with M&S Bank in November 2024, and it was confirmed payments had been received and the payment plan should have been reinstated. This however didn't happen, leading to the account defaulting in December 2024.

Following this, Miss K complained. M&S Bank apologised for defaulting the account in error and accepted it should have reinstated the payment plan. It therefore removed the default and ensured the payment plan was in place.

Miss K was late in making her payment again in April 2025, meaning the payment plan was broken. Following this M&S Bank defaulted her account on 2 May 2025.

Unhappy Miss K complained. M&S Bank doesn't agree it's done anything wrong; it said the payment plan had been broken and as it had issued a notice of default in November 2024, it was entitled to rely on this in defaulting the account.

Miss K then referred her complaint to the Financial Ombudsman. I previously set out my provisional findings, which I've included below:

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.

I've started by considering Miss K's concerns M&S wouldn't set up a direct debit to collect payments towards her payment plans. M&S has explained this isn't possible, as any direct debit would attempt to collect all arrears on the account, so wouldn't be suitable for the payment plan. While I appreciate Miss K may have been disappointed M&S wasn't able to set up a direct debit, I'm satisfied it provided suitable alternative methods in which she could make payments towards the outstanding balance. So, I haven't found M&S acted unreasonably on this point.

However, in considering M&S' decision to default Miss K's agreement, I'm not persuaded M&S Bank acted reasonably in making this decision, so I'm intending to say it must remove this and take back the management of Miss K's credit card.

I say this as I'm not satisfied M&S Bank was entitled to rely on the notice of default or final demand issued in November and December 2024, to then default the account. M&S Bank has previously accepted it issued this notice of default in error in November 2024. It therefore follows that if M&S did not issue this notice, it wouldn't have issued the final demand in December 2025.

If M&S hadn't made this error, which it's previously acknowledged, it wouldn't have issued the notice of default or then have been able to rely on this in deciding to default the agreement in May 2025.

I note Miss K has struggled to maintain her payment plans, although this appears in part due to the fact that payments were due on the same day she was paid. However, considering M&S's reasoning for defaulting the agreement based on a notice of default issued in error, I think this is unreasonable, so I don't think it's fair that it then relies on this as the basis for defaulting the agreement.

Rather the more appropriate steps in May 2025, would have been for M&S to issue a notice of default at this time, if it found it appropriate to do so. It's not possible for me to say whether Miss K would have then remedied the breach as set out in the notice or if a payment plan would have been reinstated, but I don't think I need to determine this point.

As I'm satisfied that M&S wasn't entitled to rely on the notice of default issued in November 2024, for the reasons explained above, I think it should remove the default from Miss K's account and remove this from being reported to credit reference agencies.

I understand M&S passed the administration of Miss K's account to a third party following the default of her agreement. I think this likely only happened as a result of the default, so I think it should also take back administration of the account.

Miss K has explained that this experience has caused her distress and inconvenience, and I find it appropriate that M&S pays compensation to recognise this. Considering everything that happened, I think M&S should pay £200 compensation to recognise the impact of defaulting the agreement in error, which I find is in line with how our Service awards compensation.

Responses to my provisional findings

M&S responded to my provisional findings; to say it hadn't received a payment from Miss K towards the outstanding balance since September 2025. It therefore asked that I consider Miss K's ability to return to making her contractual payments before recommending the removal of the default.

M&S said that any payment plan is a temporary solution and had the plan run from January to June 2025 and Miss K not been in a position to resume her contractual payments in June 2025, it would have likely proceeded to default the agreement at that time, due to the arrears on the account. M&S also explained that if removing the default now, Miss K then wasn't able to maintain her contractual payments, it would likely proceed to default the agreement, again due to outstanding arrears, so this may leave Miss K in a worse position than allowing the current default to stand.

I shared this information with Miss K, to make her aware of what could happen if the default was removed and she still wasn't in a position to make her contractual payments. I asked Miss K for her comments and to consider whether the removal of the default from May 2025 would be beneficial in the long term.

Miss K responded to say she accepted my provisional findings and expected to be able to fully meet her card repayments and that the removal of the default was the desired outcome to her complaint.

The complaint has therefore been passed back so I can issue my 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.

Having done so, I've reached the same conclusions as set out in my provisional findings above. I've taken on board M&S' comments and appreciate it's difficult to say what may have happened to Miss K's account, had it not relied on the notice of default issued in error to then terminate the agreement in May 2025.

That being said, as I've found it was unreasonable for M&S to rely on the notice of default issued in error November 2024, I find it fair that it removes the default as a remedy to this complaint. It should also remove reporting of the default from Miss K's credit file.

My understanding is the administration of Miss K's credit card has now been passed back to M&S, so it should confirm once the default has been removed to Miss K so that she can then ensure a payment method is put in place going forwards.

Miss K said she'd faced difficulties in making payment during the period the account has been defaulted as it had been passed between parties. I therefore don't think M&S should retrospectively charge interest to the outstanding balance from this period. Miss K should however be aware interest, and charges may resume once the default has been removed in line with the terms of the credit card account.

As outlined in my provisional findings above, I think this has caused some concern and inconvenience to Miss K, so I think it's fair that M&S pays some compensation to acknowledge this and consider £200 to be reasonable in the circumstances.

My final decision

For the reasons I've explained, I intend to uphold this complaint. To put things right, I direct Marks & Spencer Financial Services Plc trading as M&S Bank to do the following:

- Remove the default of May 2025 from Miss K's credit card account;
- Remove any reporting of the default to credit reference agencies;
- Take back the administration of Miss K's credit card account; and
- Pay Miss K, £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 19 February 2026.

Christopher Convery
Ombudsman