

The complaint

Mr T is unhappy that American Express Services Europe Limited (“AmEx”) defaulted his account without first issuing him a valid default notice.

What happened

In June 2021, Mr T experienced financial difficulty and fell into arrears on his AmEx account. Mr T engaged the services of a debt charity, who contacted AmEx on his behalf and arranged for his account to be placed in a 60-day ‘breathing space’ hold, to give him an opportunity to recover his financial position. During the hold period, Mr T didn’t make any payments to his AmEx account, meaning that it fell further into arrears.

On 4 September, the breathing space hold ended. A few days later, on 7 September, AmEx issued a default notice to Mr T which explained that he needed to make a payment of £174 before 24 September to bring his account out of arrears and avoid AmEx taking any further action.

However, the day after AmEx issued that default notice – and so before Mr T had the opportunity to recover the position of his account in line with the requirements of that notice – AmEx sent him a demand for immediate payment of the full outstanding balance of the account. This final demand notice referred to Mr T not meeting the requirements of the default notice that AmEx had issued on one day before.

On the next day, 9 September – two days after issuing the default notice and one day after issuing the final demand – AmEx cancelled Mr T’s account because of unpaid arrears. AmEx didn’t default Mr T’s account at that time, but they did transfer it to a third-party debt recovery agency (“DRA”) who took control of Mr T’s account on AmEx’s behalf.

Importantly, Mr T then made a payment of £240 before 24 September, which satisfied the requirements of the default notice issued by AmEx on 7 September, but which AmEx hadn’t given Mr T any opportunity to comply with before they issued the final demand, cancelled his account, and transferred his account to the DRA.

Following this, Mr T liaised with the DRA and either made payments to his account that were less than what the contractual minimum monthly payment amount had been, before his account was cancelled or didn’t make any monthly payment at all. This includes that since March 2023, Mr T has only made one payment of £50, to reduce the outstanding account balance.

Mr T’s lack of payment ultimately led AmEx to default Mr T’s account in March 2023, but AmEx didn’t issue a new default notice to Mr T before doing so. Mr T wasn’t happy that AmEx had defaulted his account in this manner, so he raised a complaint. AmEx responded to Mr T but didn’t feel that they’d done anything wrong. Mr T wasn’t satisfied with AmEx’s response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They felt that AmEx should have issued an updated default notice to Mr T but felt that Mr T’s ongoing lack of payment meant that the

default was ultimately fair. However, our investigator said that AmEx should backdate the default to November 2022 and should pay £150 compensation to Mr T for not issuing an updated default notice to him. Mr T didn't accept the recommendations put forward by our investigator, so the matter was escalated to an ombudsman for a final 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 issued a provisional decision on this complaint on 14 January 2026 as follows:

[I've reviewed] Mr T's payment history on the account, which I had hoped would allow me to assess whether Mr T had or hadn't made payments to the account such that the defaulting of the account was fair.

However, upon reviewing the history of this account, the conclusion I reach is that AmEx unfairly and unreasonably cancelled Mr T's account in September 2021, after issuing a default notice that gave payment requirements to Mr T which he complied with but which AmEx appears to have disregarded, having issued a final demand the day after they issued the default notice.

AmEx have explained that their account default process and their process for issuing default notices are not linked. I find that to be astounding, given that a default notice is issued to provide a final opportunity for an account holder to bring their account up to date.

I also feel that it's fair and reasonable that a business should be held accountable to the correspondence that they issue. And in this instance, AmEx issued a default notice to Mr T which gave him until 24 September to make at least a payment of £174, which would bring his account out of arrears and so avoid AmEx taking any further action. Mr T did this, by making a payment of £240. This means that the final demand should never have been issued, and Mr T's account should never have been cancelled.

AmEx have said that they didn't issue the default notice when they should have done, because Mr T was in breathing space at the time the notice should have been issued. But breathing space isn't supposed to prevent the issuance of important regulatory required correspondence such as default notices and is usually put in place with a disclaimer to that effect. Accordingly, if AmEx issued a default notice later than they would have done, then I feel that AmEx should bear the accountability for that, including that they should reasonably be expected to abide to the contents of that default notice.

All of which means that I feel that by cancelling Mr T's account in September 2021 and referring the account to the DRA, AmEx acted unfairly. Furthermore, because the account was cancelled, and because Mr T was liaising with the DRA, the contractual monthly payment expectations that had been in place when the account was active were no longer applicable. This is evidenced by the fact that after his account was referred to the DRA, Mr T made payments of an irregular size, but often around £50 per month, which was considerably less than the minimum payments he had been making, and I feel was an understandable consequence of AmEx cancelling the account.

Because of this, I can't fairly assess Mr T's payment history post September 2021 as I would like to have done, in consideration of the contractual requirements of the account, because AmEx had cancelled the account unfairly and so changed the parameters of what I would like to have assessed.

So, what's a fair outcome here? Well, I don't feel that I can reasonably say that Mr T would or would not have met the contractual requirements of the account, had AmEx not unfairly cancelled it. I also feel that Mr T has potentially been adversely impacted by what happened, because he's had a cancelled and then a defaulted account reported on his credit file.

One outcome that seems fair to me is that, because AmEx have effectively spoiled the credit file reporting of this account by unfairly cancelling it when they did, they should remove all reporting of this account from Mr T's credit file, so that it doesn't show on his credit file at all. But the counter to this argument is that Mr T still owes AmEx approximately £1,350, which he would have no incentive to pay if there was no reporting of the account on his credit file.

My provisional decision is therefore as follows: If Mr T makes a payment or payments to reduce his outstanding balance to zero, AmEx should remove all reporting of this account from Mr T's credit file. However, until such time as that happens, I feel that the reporting should remain on Mr T's credit file as it presently stands. This is because, ultimately, Mr T hasn't made any payments to his account for over two years, which by any reasonable standard should result in a default.

Finally, my provisional decision also includes that AmEx should pay £300 to Mr T as compensation for the trouble and upset he's incurred here. AmEx should pay this amount to Mr T directly and should only use the amount to reduce Mr T's account debt if Mr T gives AmEx his permission for them to do so.

In arriving at this compensation amount I've considered the impact of AmEx's mistakes on Mr T, as well as mitigating factors, including Mr T's lack of payment to the account, as well as the general framework this service uses when assessing compensation amounts, details of which are available on our website. And having done so, I feel that £300 is a fair amount.

AmEx responded to my provisional decision and confirmed that they were in acceptance of it. Mr T also responded and confirmed his acceptance of my provisional decision but noted that he had attempted to make payment to AmEx, but that AmEx hadn't provided him with the information he needed to make such payments. AmEx should therefore confirm to Mr T exactly how he can make payments to clear the outstanding balance of his account.

Mr T has suggested that this point should influence the amount of compensation payable to him. But I feel that any issues that Mr T has had obtaining payment information from AmEx sit outside the scope of this complaint. This is because that issue doesn't appear to have been referred by Mr T to AmEx in his complaint to them that AmEx responded to in July 2024, and Mr T also didn't include such a complaint point in his referral of his complaint to this service. As such, if Mr T is dissatisfied about this matter, I can only refer him to AmEx to raise the issue with them in the first instance.

All of which means that I see no reason not to uphold this complaint in Mr T's favour on the basis described in my provisional decision letter. And I therefore confirm that my final decision is that I do uphold this complaint in Mr T's favour on that basis accordingly.

Putting things right

AmEx must pay £300 to Mr T. AmEx must pay this amount to Mr T directly and should only use the amount to reduce Mr T's account debt if Mr T gives AmEx his permission for them to do so.

Also, when Mr T clears the outstanding balance on his AmEx account, AmEx must remove

all credit reporting of this account from Mr T's credit file, so that the account doesn't show on Mr T's credit file at all.

My final decision

My final decision is that I uphold this complaint against American Express Services Europe Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 February 2026.

Paul Cooper
Ombudsman