

## The complaint

Mr J complains that American Express Services Europe Limited (AESEL) closed his account leaving him with a large balance to pay. He's also unhappy that the third party to whom AESEL transferred the debt failed to take a payment from his bank account leading to the account being defaulted.

## What happened

Mr J holds a credit card account with AESEL.

In November 2022 AESEL carried out a review and decided to close the account. AESEL suspended the card and wrote to Mr J advising him of the closure. The agreement was terminated on 30 December 2022. The balance on the account at the time of closure was £21,590.89.

On 18 January 2023 the account was referred to an external collections agency to manage the remaining balance. AESEL wrote to Mr J on 23 January 2023 advising him which agency would be managing the account. The letter advised Mr M that if there was no engagement with the collections agency or if an agreed repayment plan wasn't adhered to then the account would be defaulted.

Mr M entered into a repayment plan and payments started in February 2023. Payments were made from February 2023 until September 2024. In 2024 Mr J changed his bank details.

The account was subsequently defaulted due to non-payment. Mr J says that he wasn't informed that there was an issue with his payments and wasn't warned that the account would default. He feels that he wasn't given the chance to rectify things.

The external collections agency says that the issue was caused by Mr J switching bank accounts and failing to verify the payment.

Mr J complained to AESEL. He was unhappy that the account had been closed and said he'd never missed any payments. He said the default had been applied unfairly and he wanted it removed.

AESEL said in its final response that the external collection agency hadn't made an error and that the default had been correctly applied.

Mr J remained unhappy and brought his complaint to this service.

Our investigator upheld the complaint. They said that Mr J hadn't been treated fairly by having the account defaulted because he had been maintaining the repayment plan set up in February 2023 until there was a change in his bank details and there didn't appear to be any contact from the debt collection agency about this until November 2024. The investigator said that before defaulting the account it would've been reasonable for the debt collection agency to contact Mr J about the issue to give him the chance to rectify things. The investigator said that AESEL should remove the default and allow Mr J to continue making

repayments.

AESEL didn't agree. It acknowledged that Mr J had made payments from February 2023 to September 2024 and that repayments ceased in September 2024 due to a change of bank details, but said the change in bank details didn't remove Mr J's obligation to continue making payments and he should've made a manual payment in September 2024 to maintain the arrangement and prevent a default being recorded. AESEL said it was unable to remove the default because it was obliged to make other lenders aware that the balance was unaffordable and that Mr J was in a financial support plan.

Because AESEL didn't agree I've been asked to review the complaint.

### **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.

It's not in dispute that Mr J entered into a repayment arrangement in February 2023 and made payments each month without missing any payments until September 2024.

It's also not in dispute that when the account was transferred to the collection agency, the collection agency sent two letters to Mr J advising him that if payments under the repayment arrangement weren't maintained, missed payments would be reported to AESEL and a default may be registered with the credit reference agencies.

The nub of this complaint is whether AESEL treated Mr J fairly when it defaulted the account in November 2024, due to him missing payments under the repayment arrangement as a result of having changed his bank details.

I can see that Mr J missed payments from September 2024. It appears that this was as a result of Mr J changing bank details. AESEL has said that the collection agency stated that this was due to a failure by Mr J to complete the customer authorisation process to enable his bank to make the payment to the collection agency.

I've reviewed the contact notes and call recordings from around this time to see what steps the collections agency took to advise Mr J that he'd missed his payment before it submitted the account to AESEL for default in November 2024.

AESEL has provided contact notes which show that there was no contact between the collection agency and Mr J between the end of September 2024 and 20 November 2024. I can see that on 20 November 2024 the collection agency called Mr J. The notes show that Mr J agreed to make a payment that day and agreed to set up repayments starting on 30<sup>th</sup> of each month. During the call it was noted that the Continuous Payment Authority failed. Mr J told the collection agency that he would call back.

I can see that Mr J called back the same day. The contact notes show that a Continuous Payment Authority was set up for £220 per month on 30<sup>th</sup> of each month. Mr J also agreed to make a payment of £220 that day. I've reviewed the repayment history, but I can't see that a payment of £220 was made on 20 November 2024.

The contact notes suggest that letters were sent to Mr J after this, but these letters haven't been provided by AESEL so I can't be certain of what they said. The contact notes record the payment arrangement as having been broken on 26 November 2024 and the account closed by the collection agency on 2 December 2024. AESEL defaulted the account on 26 November 2024.

I appreciate the point that AESEL has made, which is that Mr J should have made a manual payment in September 2024. However, because there was no contact from the collection agency at this time, it isn't at all clear that Mr J was aware that there was an issue with his payments. So I don't think it's fair to expect Mr J to be aware that he needed to make a manual payment.

AESEL has also said that the collection agency has advised that they attempted to contact Mr J throughout October 2024. I've reviewed the contact notes and call recordings provided but they don't reflect this. On balance, I'm not persuaded that these attempts were made.

Based on the information I've seen, I'm not persuaded that Mr J was treated fairly. I say this because there's no evidence that the collection agency made any attempt to contact Mr J when he first missed his payment in September. It's clear from the call notes that the collection agency was aware that there was an issue with Mr J's payment details, however, I can't see that it made any attempts to contact Mr J about these issues. Instead, the collection agency passed the account to AESEL for default on 26 November 2024, despite having set up a new payment arrangement with Mr J whereby he would make payments on 30<sup>th</sup> of each month. I don't think Mr J was treated fairly here. It would've been reasonable for the collection agency to contact Mr J to make him aware that there was an issue with setting up the repayments before referring the account to AESEL for default.

In the circumstances I agree with the investigator that AESEL should remove the default and backdate the reporting of the account to 20 November 2024. AESEL should allow Mr J to continue in the repayment plan.

### **Putting things right**

To put things right, American Express Services Europe Limited must remove the default and backdate the reporting of Mr J's account to 20 November 2024.

### **My final decision**

My final decision is that I uphold the complaint. American Express Services Europe Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 8 May 2026.

Emma Davy  
**Ombudsman**