

The complaint

Mr H is unhappy with how Premium Credit Limited ('PCL') administered a running account credit agreement.

What happened

In April 2024 Mr H entered into a running account credit agreement with PCL to fund the cost of an insurance policy. A year later the agreement was renewed.

Around November 2025 PCL received instructions from the broker to update Mr H's bank details for the direct debit. PCL explained its system noted the account details were incorrect.

PCL then issued a default notice to Mr H on 21 November 2025. This gave him until 12 December 2025 to meet the terms set out.

Mr H called PCL to update the details on 24 November 2025. And he then raised a complaint about being sent a default notice.

PCL responded and, in summary, said an automatic letter had been sent to Mr H. It said while this was strongly worded, it conformed to legal requirements. PCL apologised. It said Mr H wouldn't be charged the fee noted in the default notice and it said information hadn't been sent to credit agencies about what happened. PCL didn't uphold the complaint.

In December 2025 PCL issued a final response to the complaint. This said, in summary, that it considered the matter resolved.

Mr H remained unhappy with this and referred the complaint to our service. In summary, he said PCL had caused foreseeable harm, had an unfair process, had shown systemic failure and had shown unfair commercial practices. Mr H said PCL should pay him £500 compensation.

Our investigator issued a view and upheld the complaint. In summary, she said she thought PCL hadn't acted reasonably by issuing a default notice so soon. She said it should pay Mr H £150 to reflect what happened.

Mr H agreed with the outcome.

PCL didn't agree. It said in summary, that the default notice was correctly sent. It said Mr H breached the terms of the credit agreement. And it said it did attempt to also resolve things with Mr H as it wrote to him.

As PCL remained unhappy, the case 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.

Having done so, I think this complaint should be upheld. I'll explain why.

Firstly, I'd like to explain that I might not comment on every single point raised or every piece of evidence. I'd like to reassure Mr H and PCL that I've carefully thought about all of the information. But, I'm going to focus my decision on what I consider to be the key facts and the crux of the complaint. This reflects the informal nature of our service.

It's worth noting to all parties that the background to what happened here isn't in dispute. I'm satisfied Mr H's bank account details were passed over to PCL incorrectly by the broker due to an error. This meant PCL were made aware the new details weren't valid.

It also isn't in dispute that Mr H had missed no payments and was in no arrears on the account at this time.

What I need to consider is whether what PCL then did was reasonable.

PCL immediately issued a default notice. This notice said, in addition to other points, that Mr H's credit agreement may be terminated, the underlying insurance product cancelled, and a default may be recorded with credit reference agencies. While PCL said the notice said a £25 charge *may* apply, the notice said:

"A default charge of £25 has been added to your account"

So, I'm satisfied PCL told Mr H he had been charged.

I think there were a couple of things PCL could've done when it noted the bank details it had been given appeared incorrect. It could've simply contacted Mr H to update his details, without threatening to report a default and to terminate the agreement and insurance policy. Or it could've contacted the broker and asked it to check things.

I think instead issuing a default notice was clearly not the right option to pick. Our investigator has already explained to PCL in detail why she thought it issued the default early. There's little I can add to this – other than to say I'm satisfied PCL clearly jumped the gun here.

The account defaulting can be viewed as the last stage before the relationship between Mr H and PCL had completely broken down. I've seen nothing to suggest this was the case or was approaching being the case.

I also think PCL needed to consider the potential impact on Mr H of receiving this notice. But I can't see it did.

PCL said it needed to issue the default notice in order to end the credit agreement in line with the Consumer Credit Act 1974. But I can't see why it would be considering doing this at the point it issued the notice.

I'm satisfied by issuing the default notice this caused unnecessary distress and inconvenience to Mr H. I'm sure it must have been upsetting to receive the default notice where he was not behind on payments, was not in any arrears and had not been notified of the direct debit issue prior to this.

Thinking about all of this, I find PCL should pay Mr H £150 to reflect what happened.

PCL said it tried to resolve things with Mr H by writing to him. But this letter was sent at the same time as the default notice. So, this doesn't change my opinion.

Finally, it's important to note to PCL that I am not finding it is responsible for the incorrect bank details being entered. But I *am* finding it then made errors with its response. I also want to reassure PCL I've carefully thought about everything else it said. But I still think this complaint should be upheld.

My final decision

My final decision is that I uphold this complaint.

I instruct Premium Credit Limited to put things right by paying Mr H £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 April 2026.

John Bower
Ombudsman