

The complaint

Mr Z complains that Lloyds Bank PLC unfairly registered a default on his credit file.

What happened

Mr Z had bought a fridge using his Lloyds credit card, but he says the fridge was faulty, so he tried to raise a chargeback with Lloyds. The money was refunded, but the retailer challenged this, and the money was debited back from his account. Mr Z had arrears mounting on his credit card while he was trying to resolve the issue with the fridge, and Lloyds ultimately defaulted his account. Mr Z made a complaint to Lloyds.

Lloyds did not uphold Mr Z's complaint. They said Mr Z had not made any payments to his credit card account since 7 March 2023, so they followed their collections process and now his account had been defaulted. They said when they reviewed his claim, Mr Z didn't respond within the relevant timescales for them to be able to assist him further, by challenging the merchants information. Lloyds said to be able to review this under Section 75 of the Consumer Credit Act, they require Mr Z to be able to provide appropriate evidence to prove a breach of contract, or misrepresentation has occurred. They said they'd not received anything suitable yet. Mr Z brought his complaint to our service.

Our investigator did not uphold Mr Z's complaint. She said that Lloyds followed their process in advising Mr Z of the balance of his credit card, and because no payment was received to reduce the balance since 7 March 2023, Lloyds reported the arrears and defaulted the account, in line with their terms and conditions and regulatory obligations. Mr Z asked for an ombudsman to review his complaint. He told us about his dispute with Lloyds regarding the fridge.

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.

Firstly, I'm aware that I've only summarised Mr Z's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Mr Z has told us about the dispute with the fridge. But I must make it clear to him what I'm able to look at as part of this decision. Our investigator has told Mr Z that the issues raised in Lloyds' response to Mr Z in their final response dated 11 May 2023 are outside of our jurisdiction to consider due to Mr Z bringing this complaint point to us too late. So I'm unable to look at this as part of this decision. But I do note that Lloyds may be able to review this for Mr Z under Section 75 of the Consumer Credit Act. If Mr Z wishes to do this, he should follow the instructions given in the final response Lloyds sent him in late 2023.

A default can only be registered when a customer has been in arrears for at least three

months. Mr Z had not made a payment to his Lloyds credit card account after 7 March 2023. Lloyds sent Mr Z details of his arrears and they then sent him a Notice of Default dated 2 August 2023. This informed Mr Z that he must pay his arrears by 20 August 2023. The notice informs Mr Z that if he doesn't take the action required before this date, then they would terminate his agreement and notify the Credit Reference Agencies (CRA's) that he had defaulted on his agreement.

As Mr Z did not make the required payment by 20 August 2023, then Lloyds did what they said they were going to do. They terminated the agreement and notified the CRA's he defaulted on the account. I can see the letters about the arrears and the Notice of Default were addressed to the same address that Mr Z gave our service (and they show the same address as his statements). So I'm unable to ask Lloyds to remove the default or any late payments they registered with the CRA's, as they are required to report accurate payment history information to the CRA's. So it follows I don't require Lloyds to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 17 June 2024.

Gregory Sloanes
Ombudsman