

The complaint

Ms C is unhappy Oakbrook Finance Limited trading as Likely Loans registered a default on her account in February 2023. She has complained that Likely Loans has acted unfairly in the way it administered the default. To resolve her complaint, she wants the default removed from her credit file.

What happened

Likely Loans lent Ms C a loan in December 2021. In early 2022 Ms C encountered problems keeping up with repayments and her account fell into arrears on more than one occasion. Ms C managed to bring her account up to date prior to October 2022.

In October 2022 Ms C's account went into arrears again and this time she didn't bring it up to date. In January 2023, Likely Loans called Ms C to discuss the arrears on the account. During that call, Likely Loans agreed to place Ms C's account on a 30-day hold ('breathing space') as she explained she was on maternity leave and due to a mistake from her employer she had been receiving half her monthly pay rather than the full amount. The agent on the call told Ms C to contact Likely Loans by 12 February 2023 as this was when the 30-day period expired.

Likely Loans didn't hear from Ms C by 12 February 2023 and attempted to contact her by telephone and text message for an update. As it didn't get a response, Likely Loans defaulted Ms C's account on 14 February 2023. In May 2023, Ms C settled her account, and it has now closed.

Ms C complained to Likely Loans about the default it registered on her account, she said she her personal circumstances were difficult at the time. She also said she assumed Likely Loans had accepted her offer to repay the loan by March 2023, and she feels the default has been unfairly registered. Ms C says the impact of the default on her credit file is significant as it is likely to render her and her four children homeless as she's at risk of being evicted from her home and the default on her file makes it difficult for her to find a new place.

Likely Loans didn't uphold Ms C's complaint as it said it entered the default correctly. It explained to Ms C that she could contact the credit reference agency to raise a Notice of Correction. The notice will provide an explanation to the circumstances surrounding the default which should give context to other creditors. Ms C didn't accept what Likely Loans said and referred her complaint to the Financial Ombudsman Service.

One of our adjudicators looked at Ms C's complaint and concluded Likely Loans hadn't acted unfairly. He didn't recommend that the default be removed from Ms C's credit file. In response to the adjudicator's view, Ms C disagreed and said she needed more time to provide further information. The adjudicator extended the time, but I can't see Ms C provided any further information.

As the complaint remains unresolved, it has been passed to me an ombudsman to decide. My decision is the final stage in the Financial Ombudsman's process and if Ms C accepts my decision, it becomes legally binding on both parties.

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.

Ms C's contention on this complaint is that she was led to believe Likely Loans accepted her request to bring her account up to date by March 2023 during a phone call in January 2023. She also says Likely Loans registered the default too soon and didn't do enough to contact her at the end of the breathing space in February 2023.

I've looked at all the information provided by both parties, this includes the call recording between Ms C and Likely Loans in January 2023. It is not in dispute that from October 2022 Ms C's account was in arrears and no payments were made towards her loan. Ms C explains this was due to having a baby and reduced pay from work.

Until Likely Loans contacted Ms C, I can't see that she reached out to explain her circumstances and seek help with her payments. This is important because Ms C confirms during the phone call with Likely Loans that she'd reached out to her other creditors and had plans in place. So, she knew the repayments were her responsibility and could have contacted Likely Loans sooner.

During the call with Likely Loans, I can hear the agent explaining that her account will be placed in breathing space for 30 days to give her the time to engage with her employer and sort out the error with her pay. The agent also clearly explained that a Notice of Default had been sent to Ms C which she appears to acknowledge. The agent explained that if Ms C's account remained in arrears at the end of the breathing space, there was a risk her account would be defaulted. The agent asked Ms C to get in touch by 12 February 2023 and encouraged her to contact Likely Loans before then if she had any updates.

Also, on that call Ms C said she wasn't sure when her back dated pay will be sorted with her work and when she will receive her full pay. She said she planned to make a payment on 24 January 2023 but couldn't say how much. Ms C also said she thought she'd be able to repay the loan by March 2023.

From listening to the call recording, I don't think the agent gave the impression Ms C's proposal to repay the loan in March 2023 meant no further action will be taken on her account until that time. I think the agent was quite clear she had a 30-day breathing space and she needed to get in touch before the end of 30 days to avoid further action being taken on her account.

Ms C didn't get in touch by 12 February 2023, and she acknowledges Likely Loans tried to contact her after that date by text and phone. Ms C didn't respond to either attempts and didn't contact Likely Loans back.

I have no doubt Ms C had a lot going at the time based on what she has said, and I can understand how she may have missed responding to Likely Loans. However, this wasn't Likely Loans' fault and as I think it was clear about what Ms C needed to do and it contacted her at the end of the 30-day period before it defaulted her account. I also can't see Likely Loans was made aware of the extent of Ms C's personal circumstances in the way she explained it in her complaint to this service. Based on the information it had, I think Likely Loans was reasonable in the circumstances.

Ms C has said registering the default within a day was unfair. But I'm mindful that Likely Loans issued the default notice on 5 January 2023 and so Ms C was on notice in line with the relevant rules that her account was at risk of being defaulted. The agent also reiterated this to Ms C during the call. So, I'm satisfied she was duly notified in line with the relevant rules and regulations, and she was given the opportunity to bring her account up to date.

Ms C didn't make the payment on 24 January as she'd said on the call, and she didn't contact Likely Loans until 17 March 2023 which was after the breathing space had expired.

I understand the default on the credit file disadvantages Ms C's access to credit, but I don't think Likely Loans treated her unfairly. It showed forbearance and issued the statutory letters before registering the default. Ultimately, Ms C had a responsibility to repay the loan in line with her agreement and to work with Likely Loans in her financial difficulty. I don't think she responded within a timely manner to the urgency of the situation and that is what led to the default being registered in the way it was.

Ms C has said she has continued to have difficult personal circumstances and I'm sympathetic towards her and wish her the best with turning things around for the future. My role as an ombudsman is to consider whether Likely Loans has done anything wrong in her case and while her circumstances are difficult, I don't think Likely Loans has acted unfairly in this instance. So, I won't be asking it to remove the default from Ms C's credit file as I think it was correctly entered.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 9 October 2023.

Oyetola Oduola
Ombudsman