

The complaint

Miss H is unhappy her loan account was only defaulted after it was sold to a debt collection agency. She complains that Lendable Ltd didn't default her account when it was six months in arrears (despite them still owning it at that time).

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

I issued my provisional decision on 6 November 2023. In this, I explained I wasn't minded to uphold Miss H's complaint because I was satisfied Lendable had acted in line with the Information Commissioner's Office (ICO) guidance.

Both parties had until 27 November 2023 to send me additional points they wanted me to consider. Lendable accepted my provisional decision, but Miss H didn't. Miss H explained she wasn't previously aware she could ask for her account to be defaulted. Miss H also said that she feels it's unfair her credit file will be negatively impacted for the duration of her debt management plan which she said will be in place for almost 20 years.

I've taken Miss H's additional comments into consideration, but I've not been persuaded to change my mind. I'll explain my reasoning below.

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'm not upholding Miss H's complaint, for these reasons:

- It's not disputed that Miss H fell into financial difficulties towards the end of 2019, and this prevented her from making her contractual loan payments (of around £230) after November 2019. However, she was proactive in updating Lendable about her circumstances and worked with a debt charity to set up a debt management plan (DMP). When Lendable was made aware of Miss H's change in circumstances, they put a hold on her account and stopped charging interest, and this was the right thing for them to do in the circumstances.

- In February 2020, Lendable accepted the DMP of reducing Miss H's payments to around £17. And Miss H's loan statement shows she started making this payment from March 2020, and continued to do, in line with the DMP, until her account was sold to a debt collection agency in September 2020. So, it's also not disputed that Miss H's account was in arrears for just shy of a year before it was sold.
- Miss H says her account should have been defaulted in May 2020 because she was in six months of arrears at that point. And she feels this should have happened given what's detailed in the Information Commissioner's Office (ICO) guidance for financial businesses like Lendable. I do agree the ICO provides guidance that says an account should normally be defaulted by the time it's six months in arrears. However, the ICO's guidance on defaulting an account, when there's a DMP in place, says something slightly different.
- When a DMP is in place, the ICO generally advises businesses to report to credit referencing agencies that a DMP is in place. And it says a default shouldn't normally be registered unless the terms of the payment arrangement have been broken. As mentioned above, Miss H made her monthly payments in line with her DMP, so I'm not minded to conclude that Lendable treated her unfairly by not defaulting her account while they remained responsible for it.
- I've noted what Miss H has said about the notice of sums in arrears she was receiving from Lendable. I agree they suggest an account would be defaulted if it was six months in arrears. So, I can see why this would cause her frustration when this didn't happen – particularly given she says other creditors chose to default her accounts with them sooner. However, while the cover letter for the notice of sums in arrears suggested her account might be defaulted after six months of arrears, I can't see that Lendable ever sent her default notices to suggest that was the action they were going to take. I appreciate Miss H says she didn't know she could ask Lendable to default her account in May 2020. However, while she may not have had the knowledge she has now, she ought to have known at that time if she felt Lendable was treating her unfairly or differently to her other creditors. And if she felt unhappy about that, I've not seen evidence to suggest she was prevented from discussing her queries/concerns with Lendable at the time. So, while I appreciate this matter has caused Miss H some upset and frustration since she raised it with Lendable in late 2022, I don't consider an award for this would be fair or reasonable in the circumstances.
- Regarding what Miss H has said about the ongoing impact to her credit file, the same six-year timeframe for reporting information to credit reference agencies applies. Miss H has told us her debt with Lendable was sold to a debt collection agency (DCA) and has sent evidence that shows the DCA defaulted her account in February 2022. I acknowledge the debt complained about was defaulted later than she'd like. However, the difference in the reporting of the default is that the six years started in September 2022, rather than the May 2020 date she'd prefer.

I know this isn't the outcome Miss H hoped for, but for the reasons above, I'm not upholding her complaint.

My final decision

My final decision is that I'm not upholding Miss H's complaint about Lendable Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 3 January 2024.

Sarrah Turay
Ombudsman