

The complaint

Mr I complains JAJA FINANCE LTD (JAJA) treated him unfairly when they defaulted his credit card account and sold it to a debt collection agency (DCA).

What happened

I set out the background to this complaint and my initial findings in my provisional decision dated 18 December 2023 (below)

What happened

Mr I held a credit card with a provider I'll call P. P later sold their credit card business to JAJA. In April 2021 Mr I let JAJA know that he was in financial difficulties and was no longer able to meet the minimum monthly repayments. JAJA put a hardship plan in place for Mr I to make payments of £25 per month instead of the contractually due minimum payment.

At this time, JAJA cancelled the direct debit Mr I had in place as they do not accept payment plan payments in this way, and asked Mr I to setup a standing order. Mr I had difficulties setting up the standing order and says the information JAJA provided him to do this was incorrect, so he had to make manual payments by phone.

Mr I made payments of £25 in May, June, August, October and November 2021. In July 2021 he made a payment of £20, and no payment was made in September 2021.

In June 2021 JAJA sent Mr I an arrears letter letting him know he was currently £83 behind in his contractual payments for May and June. In August 2021 it sent another arrears letter for detailing the arrears for July and August, £73.

In September 2021 JAJA sent Mr I a notice of default (NOD) letter explaining that he was now £214 in arrears. The letters stated if he was unable to clear the arrears by 1 October 2021, the following actions could happen:

- a) Terminate your agreement without further notice on or after 1 October 2021.*
- b) The balance in full, being £2,302.03, will then become due and interest will continue to be charged in accordance with the agreement.*
- c) If nothing is subsequently received your account may be passed to a Debt Collection Agency and legal proceedings may be taken against you.*
- d) In not less than 28 days, we may disclose this default information to a Credit Reference Agency. Default information registered against you could affect your credit rating and make it more difficult to obtain credit in the future.*
- e) ...*

Mr I didn't clear the arrears at this time as he wasn't able to and JAJA terminated the account and recorded it as defaulted on 11 October 2021.

In January 2022 Mr I made an offer to JAJA asking to settle his account for a reduced figure of £500. JAJA said it would consider the offer but didn't give Mr I an answer, In April 2022 Mr I chased JAJA for a response to his offer. JAJA responded declining the offer.

JAJA sold Mr I's account to a DCA on 26 September 2022. In November 2022 Mr I increased his settlement offer to JAJA to £750. JAJA didn't respond to his offer.

In April 2023 Mr I contacted JAJA again to question the contact he was now getting from the DCA. JAJA explained his account had been sold on and Mr I questioned how much it had been sold for. JAJA declined to share this information with him.

It appears A County Court Judgement (CCJ) had been applied for by the DCA and granted around this time, as Mr I then reinstated his offer to settle for a reduced amount, with the condition the CCJ was removed.

Mr I then made a complaint to JAJA. He was unhappy with the following points:

- JAJA didn't respond promptly to his settlement offer in January 2022*
- JAJA had declined his offer of £500 to settle as he feels it likely sold the account to the DCA for a lot less*
- JAJA sold his account to the DCA*
- JAJA didn't respond to his settlement offer of £750 to settle the account*

JAJA didn't uphold Mr I's complaint, it explained it had made the correct decision in declining his offer of £500 to settle the account, and it had fairly passed the account to the DCA. It apologised for not responding to Mr I's later offer of £750 to settle the account and remove the CCJ but said that it wasn't a decision it could make as it no longer owned the account and that would be a matter for the DCA.

Mr I remained unhappy and so brought his complaint to this service. When doing so he said he felt he had been discriminated against when JAJA hadn't accepted his offer to settle. He also said JAJA had made it difficult for him to make payments by cancelling the direct debit he had set up as he felt this is what had led to the account defaulting.

Our investigator didn't think Mr I's complaint was one that should be upheld in summary she said:

- JAJA correctly defaulted the account as Mr I was in arrears, she explained that we would normally expect this to happen when a consumer is between three and six months behind with payments and Mr I was.*
- It isn't for this service to say if JAJA should accept an offer of settlement as it's a business decision we would become involved with, and the account had already defaulted prior to the offers being made.*
- Even if the information JAJA had given Mr I to set up a standing order was incorrect there were other ways he could have made payments.*

Mr I disagreed, he believes the only way to make payments other than standing order was to make a phone call each month which would be unreasonable. He also feels the offers were made prior to the default in September 2021. As no agreement could be reached the matter has been passed to me to decide.

What I've provisionally 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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

It's accepted by both parties that Mr I was in financial difficulties and was not able to make the contractual minimum monthly payments. Mr I confirms he had agreed to pay £25 per month towards his balance following the agreement in April 2021. Which I can see he did in the main, although he did pay less in July 2021 and doesn't appear to have made a payment in September of that same year. So, I'm satisfied that even without a standing order or direct debit in place Mr I was able to make payments towards the account. As such, I can't agree that those payment methods not being in place is the cause of the account defaulting. I think it would be useful to add here that Mr I had an obligation to make payments and even if he felt making phone calls monthly was inconvenient, that doesn't negate the need for him to make the payments.

The reason for the account defaulting was purely that Mr I was no longer able to afford the minimum monthly repayments that he was contractually bound to make. I understand he had a payment plan in place but that doesn't take away the fact the account was falling further into arrears. By September 2021 when JAJA sent the NOD letter to Mr I he was £214 behind with his payments and was on the best months only able to pay £25, based on this there was no prospect that Mr I was going to be able to catch up with the arrears, so I can't say that JAJA acted unfairly when deciding to terminate Mr I's account and record it as defaulted.

Based on what I've seen it was in January 2022, after the default, that Mr I made his first offer to settle the account for a reduced figure of £500. JAJA took four months to respond to the offer and only did so after Mr I chased it for an answer. I agree with Mr I that this wasn't good customer service and I think some compensation should be paid to him for this, which I'll address later in this decision.

When it did reply to him JAJA declined Mr I's offer. I understand that this was upsetting to Mr I, but I feel I should explain that it's not the role of this service to become involved with a firm's commercial decisions. Accepting or rejecting an offer would be considered a commercial decision, so I can't comment on if JAJA acted fairly or not in declining Mr I's offer.

The terms and conditions of Mr I's account say:

18.10 We may transfer to any other person any or all of our rights under this Agreement or our duties (including our duty to lend to you). You will be informed of any such transfer as soon as reasonably possible unless there are no changes to the way in which your Account will be serviced. If after any such transfer, the arrangements for servicing credit do change, you will be

informed on or before the first occasion that they do. Your legal rights will not be affected, and your obligations will not be increased as a result. This Agreement is personal to you and you may not transfer any of your rights or duties under this Agreement.

This means that JAJA can choose to sell the account on, as it has done. How much it sells an account for is also a commercial decision for JAJA. So, for the same reasons mentioned above, not something for this service to become involved in. The price agreed for the sale of the account is information that is considered commercially sensitive and so I can't compel JAJA to share that with Mr I. Based on this and the default letter that JAJA sent to Mr I in September 2021, which outlined the possibility of the account being passed to a DCA, I can't say JAJA did anything wrong when selling the account on and not sharing the information about the value of that sale with Mr I.

The DCA became the owners of Mr I's account on 26 September 2022. Mr I made a further offer to JAJA, to settle in November 2022. It didn't respond and while I accept that the DCA now owned the account I think Mr I was entitled to expect a response from JAJA, so I'll take that into consideration when thinking about compensation.

Mr I is upset that he now has a CCJ registered against him, but this was something that was granted after JAJA sold the account, so if Mr I thinks this has been done unfairly, he would need to speak the DCA about this, in the first instance. But I think it may be useful for me to explain here that once a court has made a decision to grant a judgement, only the court can make the decision to revoke that judgement, so this isn't something this service could have ever interfered with.

To summarise, I'm satisfied that JAJA acted fairly when it defaulted and later sold Mr I's account to the DCA. JAJA was entitled to reject Mr I's offer to settle once it had considered it, and it had no need to disclose the information about the amount his account was sold to the DCA for. But I think it could have provided Mr I with better customer service when dealing with the offers he put forward. There was a delay of four months in giving an answer to the first offer and the second was never responded to. I think JAJA should pay Mr I £100 to recognise the poor service.

My provisional decision

For the reasons set out above, I'm currently intending to uphold Mr I's complaint about JAJA

FINANCE LTD and will require it to:

- Pay Mr I £100 in recognition of the poor service*

I invited both parties to let me have anything in response they thought was relevant.

JAJA responded just asking for the details to make payment to Mr I – so it seems it agreed with the findings.

Mr I responded reiterating his feeling that he found it demanding on him to make a call each month to make the payments. He also said he was puzzled as to why P sold the account to JAJA in the first place. Mr I also stated he made the offer to settle the account in December 2021 and not January 2024

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.

As Neither party has made any new arguments or disputed the findings I have reached in my provisional decisions, I see no reason to depart from it, but I would just like to respond to Mr I's comments.

I don't dispute Mr I having to call JAJA each month to make his monthly payments demanding, but this isn't what lead to the account defaulting. As I've explained above the default came about as Mr I could no longer afford the minimum monthly payments.

P made a commercial decision to sell its credit card operation to JAJA – this isn't something that could be considered here, as this complaint is about JAJA's actions only. Although I do appreciate Mr I's confusion as P is now offering credit cards again.

I can't find any reference, other than Mr I's comment in his response to my provisional decision, saying he made an offer in January 2024. So, I have assumed this to be a typo on his part and he meant January 2022, as this is when I said he made the offer, based on the evidence I'd seen. But I don't think even if he made the offer in December 2021, it changes anything as this was still after the account had been defaulted in October 2021, so it wouldn't have made a material difference.

Putting things right

In line with the findings in my provisional decision JAJA should now pay Mr I £100.

My final decision

For the reasons set out above, my final decision is that I uphold Mr I's complaint and require JAJA FINANCE LTD to carry out the actions as set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 5 February 2024.

Amber Mortimer
Ombudsman