

The complaint

Mr V complains that Loans 2 Go Limited registered a default on his credit record even though he had agreed a payment arrangement with it and had complied with the terms of that arrangement.

What happened

At the end of November 2021, Mr V took out a loan with Loans 2 Go. He started paying the agreed payments, but on 31 March 2022, Loans 2 Go served a default notice on him which it had registered against his credit record.

Later, in August 2022 Mr V complained that the loan was unaffordable. He requested that Loans 2 Go freeze interest and charges on the loan and remove the default marker from his record. Loans 2 Go responded that it would remove 50% of the outstanding interest from the account, and Mr V agreed to this. He still didn't believe the default marker should have been registered against his record as he had kept to the terms of the payment arrangement.

On referral to the Financial Ombudsman Service, our Investigator said that Loans 2 Go failed to explain to Mr V that a default would still be registered, even if he kept to the payment plan. As a result, to reflect the distress and inconvenience caused, he proposed that Loans 2 Go pay Mr V compensation of £200.

Loans 2 Go did not agree. It said it made more than enough effort to inform the customer that his credit file would be affected should he miss any payments and as per the screenshot [provided], the customer did not adhere to any of the payment plans which were agreed with him. Had the customer adhered to these payment plans and not missed any payments in accordance with the plan which was in place, then his credit file would not have been affected and he would not have suffered such trouble and upset.

I issued a provisional decision. In it I said that, as Mr V had entered into a payment arrangement and had kept to that arrangement, Loans 2 Go should not have entered a default marker on his credit record, but rather a payment arrangement marker. So, I said that it should remove the said default marker and replace it with a payment arrangement marker. I said the proposed payment of compensation of £200 is fair and reasonable.

Loans 2 Go accepted my provisional findings.

Mr V pointed out that he had continued to keep to his payment arrangements after September 2022. He therefore queried why Loans 2 Go would have entered another default marker after that date.

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.

My provisional findings are set out below, in italics:

"I asked both parties if they would consent to my considering the further action that Loans 2 Go took after September 2022. Loans 2 Go would not consent to this and as it has not had a formal complaint made to it concerning any such further action, I can only consider the complaint made to it in August 2022 and its final response dated 5 September 2022. I should emphasise that Mr V does have the right to make such a complaint, but I can't consider it here.

From the evidence I have seen, Mr V realised he could not make the payments for the loan and missed the initial payment. He contacted Loans 2 Go, I believe in mid-January 2022. According to the statement of account provided by Loans 2 Go, he made the first agreed payment on 5 February 2022, and a second payment on 3 March 2022. Yet Loans 2 Go still went ahead and served a notice of default on Mr V at the end of March 2022, which has been registered against his credit record.

Whilst I don't doubt that Loans 2 Go advised Mr V that it could serve a default notice and enter such notice on the record, in the event of the account falling into arrears, I don't think it should have done so in this case. From Loans 2 Go's response, it would appear that it registered a default because Mr V did not keep to the payment arrangement. But, looking at the aforesaid statement of account, Mr V continued to make the agreed payments up until September 2022. So I can't see that Mr V failed to adhere to the agreed payment plan, as Loans 2 Go has advised us. The appropriate marker to register would have been the payment arrangement. Mr V was only one month in arrears with his loan payments at the time of entering into the arrangement, so I don't think it would have been fair to register a default at that stage.

As Mr V entered into a payment arrangement, which he kept to, at least in the time period I am considering in this decision, Loans 2 Go should have entered the payment arrangement on his record and only considered defaulting Mr V if he failed to keep to such arrangement. In light of that I think the proposed compensation payment of £200 is fair and reasonable. Loans 2 Go may deduct that from any outstanding sums owed by Mr V."

As regards Mr V's query, I understand his point and he will note that Loans 2 Go has accepted what I have said about the first default marker. However as Loans 2 Go wouldn't consent to my considering any further action it took after September 2022, he will, as I have said, have to raise this as a further complaint.

I remain persuaded by my provisional findings. Those findings are now final and form part of this final decision.

Putting things right

Loans 2 Go should remove the default marker it registered in March 2022 from its internal and any external databases, and replace it with a payment arrangement marker. I should emphasise that this concerns only any markers entered up until 5 September 2022.

Loans 2 Go should further pay Mr V £200 compensation, which it may deduct from any outstanding sums owed by Mr V.

My final decision

I uphold the complaint and require Loans 2 Go Limited to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or

reject my decision before 23 October 2023.

Ray Lawley
Ombudsman