

The complaint

Mr K complains that John Lewis Financial Services Limited (JLFS) have unfairly applied a default to his account.

What happened

Mr K had a credit card account with JLFS. He said he'd an unresolved complaint with them. But he'd been harassed to make payments and without any notification a default had been added to his credit file. He complained to JLFS.

JLFS said they hadn't received any payments from Mr K after June 2022. They said they'd sent letters to him about the arrears including a default notice and final demand in January and February 2023. They said the letters had been sent to the address they'd on record for Mr K. JLFS said the default had been applied as it was an accurate record of Mr K's account status.

Mr K didn't agree and referred his complaint to us.

Our investigator said that JLFS had acted fairly and reasonably in their actions with Mr K.

Mr K didn't agree he said a default couldn't be added as JLFS hadn't sent one to him. He asked for an ombudsman to decide.

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 don't uphold this complaint. I'll explain why.

Firstly, I understand that Mr K had another complaint raised with JLFS but this was brought too late for us to consider. So, in reaching my decision I only need to consider Mr K's complaint about a default being added to his credit file.

JLFS has provided us with system information and call recordings regarding this complaint. And I've considered Mr K's testimony. If I don't comment on every point it's because I've considered in my decision what I consider to be relevant. I mean no disrespect by this.

I've listened to a call made in June 2022 between Mr K and JLFS. In this call Mr K says he wants to clear the balance on his credit card account in full. And is told this is £530.26. The reasons for Mr K falling behind with his payments was discussed to which Mr K said he didn't have any financial difficulties but had needed to rearrange his finances. An attempt was made to discuss possible repayment plans but Mr K immediately rejected this suggestion. I think it's explained clearly to Mr K that his card has been revoked and on his clearing the balance the account would be closed, and that he'd have to wait several months before he could request a new card.

Mr K is told that his account being in arrears JLFS would put a hold on any interest fees

being applied for 60 days. But that the status of his account would be reported to the credit reference agencies. It's explained to Mr K that if he didn't settle the arrears a default would be sent. It was also explained that a default would remain on the account for six years. As Mr K was told that he wouldn't be able to use the card he decided not to clear the balance in full. And he pays the arrears and the minimum payment for the month in total £61.10. As the card is revoked a new direct debit couldn't be set up and Mr K is advised to set up a standing order to clear the remaining balance which was around £470. Mr K confirms he'd need to make the minimum payments each month.

During the call Mr K said he hadn't been getting his account statements. His email, mobile phone and address details were checked and confirmed those on record were correct. Mr K was told that it was his responsibility to monitor his account and that this could be done through the App or by direct contact. And that JLFS weren't responsible for non-delivery of his post as they were sending correspondence to his correct address.

JLFS has shown that no further payments were made to Mr K's account after the £61.10 in June 2022. And have shown collections letters were sent to Mr K including a default letter in January 2023 and a final demand in February 2023.

A default is when someone fails to meet certain financial obligations under an agreement. It is generally when the arrears have built up to an unacceptable level. Most often this is when the consumer is between three and six months in arrears. I can't see that Mr K made any payments to his account for several months. And he'd been made aware during the call that the balance on the card after he'd made the payment of £61.10 was around £470. He was also aware that he needed to make at least the minimum payment each month to prevent his account falling into arrears.

As outlined above it'd been made clear to Mr K that late and missed payments would be reported to the credit reference agencies, and a default notice would be sent. I know Mr K says he didn't receive the letters and so doesn't agree that a default should have been recorded on his credit file. I've considered whether it was fair for JLFS to apply this default because of this. But I think that even if Mr K had received the default letter, the situation would be unlikely to be different now.

JLFS has shown that the default notice was sent by them to Mr K's correct address, so I don't think it's likely to be their fault if letters weren't received. And If there was some repeated problem with Mr K's post, which from the call he was aware of I'd expect that Mr K would know to call JLFS to check how much his minimum payment should be. I haven't seen anything to make me think he wasn't able to do that.

And whether Mr K received the default notice or not, I think he ought reasonably to have known that his account was in default. So, I don't think it's unreasonable, given the number of missed payments for JLFS to have taken steps to record an accurate picture of Mr K's financial status to the credit reference agencies.

And for these reasons I don't think it would be fair to ask JLFS to remove the information recorded on Mr K's credit file about his account. As even if a key letter wasn't delivered to Mr K I don't think that it's likely to have made a difference in this case.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 25 November 2023.

Anne Scarr
Ombudsman