

The complaint

Mr F complains about the missed payment information recorded by Creation Consumer Finance Ltd, for his credit card account.

What happened

In August 2020, Mr F got a brand new mobile telephone device from a high street retailer. To pay for the device, Mr F used his credit card with Creation, who offered a six month interest free deal on the purchase.

At the end of the six month period, Mr F hadn't settled the purchase price of the device. So, Creation added interest and started to take a monthly direct debit from Mr F's bank account.

Mr F says he noticed a payment leave his account, so paid Creation the full cost of the device. He also complained to Creation and said they had breached the terms and conditions of the deal, which say they should have warned him the six month interest free period was ending. Creation responded to say they did put Mr F on notice, but they didn't receive any payment from him, before the expiry of the interest free period.

Although Mr F had paid the cost of the device, he didn't make any payments towards the interest. So, the balance owed to Mr F's account increased over the following months. And in December 2022, Creation passed on missed payment information about the credit card to credit reference agencies.

In February 2023, Mr F contacted us and asked us to look into a complaint about the warnings he says Creation should have given him. He also complained that the information recorded on his credit file was inaccurate.

One of our investigators looked into Mr F's complaint and found that the part of his complaint about the warnings, had been brought to us too late. She said that under our rules, Mr F needed to have brought that concern to us within six months of Creation's final response letter. Both Mr F and Creation accepted that we couldn't look at the first part of Mr F's case.

However, the investigator was able to look at the missed payment information Creation had recorded on Mr F's credit file. She concluded that Creation hadn't treated Mr F fairly and the default information should be backdated to September 2021, around the time the payments were missed by Mr F.

Mr F accepted the investigator's findings about the default information. But, Creation didn't. They said they needed to give Mr F time to repay the arrears on his credit card account and they only applied missed payment information, when all other attempts for repayment had failed.

The investigator didn't change her conclusions and now Mr F's case has been passed to me to make a final decision.

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.

The mobile telephone device was paid for using Mr F's credit card account with Creation. This is a regulated form of credit, and our service is able to consider complaints relating to this sort of borrowing.

Creation and Mr F have agreed that the part of the complaint about the warnings given for the expiry of the interest free period, were brought to us out of time. So, I've not considered that as part of my decision. Instead, I've focussed on Mr F's complaint about the recording of the default information.

The Information Commissioner's Office (ICO) suggests lenders should default an account no earlier than three months after the customer first started missing payments, and no later than six months after the first missed payment. A lender has to tell their customer they're intending apply a default, to give their customer a chance to bring the account up to date, or to make an arrangement to pay.

The ICO also suggests that if an arrangement to pay is agreed between the lender and their customer, but the customer misses a payment, the lender can default the account immediately. The ICO link this to a relationship breaking down between a lender and a borrower. Once the account is defaulted, that marker will remain on the customer's credit file for six years.

I think what the ICO says here is important to Mr F's case, because the first missed payment happened long before Creation applied a default marker on Mr F's credit file. So, I've thought more about the timescales involved to decide what is fair.

Creation's records for Mr F's credit card show that he repaid the cost of the device in March 2021. I can see where this left a balance owed of around £100, because of the interest that Creation had applied, once the interest free period had expired. I can also see that Creation tried to take a Direct Debit payment the following month, but this was returned unpaid.

Furthermore, I've looked at Creation's contact records with Mr F from around this time. I can see he told them he wouldn't be making any further repayments, in respect of the added interest in March 2021.

Creation's records show that they explained the reasons why interest had been applied to Mr F's account and what would happen should any missed repayments continue. But, as Mr F had told them he didn't want to pay for any added interest, a repayment arrangement or plan wasn't agreed.

As Creation and Mr F were unable to agree a repayment plan, I think this meant the account wasn't receiving payment. It then follows that Creation could treat the account as being in default within the three to six month timescale I've summarised.

Having considered everything, I think it was clear to Creation that the relationship with Mr F was at stalemate and had broken down in March 2021. I also think this was confirmed once Mr F had cancelled the Direct Debit and then missed a payment towards his credit card in the following month.

Creation say they didn't mark the account as being in default until December 2022, because they wanted to exhaust all other methods of support first. I acknowledge why Creation would

want to help Mr F. But, for the reasons I've explained, I think it was clear the balance of the credit card account wouldn't be paid. And I think this was very evident to Creation around six months after the first missed payment.

I've concluded that Mr F's relationship with Creation broke down in March 2021. So, six months after that is September 2021.

In all the circumstances, I think Mr F's credit file should reflect where a default should be applied no earlier than three months after he first missed a payment, and no later than six months after that first missed repayment. So, I think it's fair for Creation to change the date of the default to September 2021, with the information recorded with credit reference agencies.

Mr F may have repaid the outstanding balance owed to his credit card account, since he first referred his complaint to us. If he hasn't, it's likely he may still have an obligation to repay any balance that has accrued through the interest that's been added.

I encourage Mr F to engage with Creation about a way to repay the outstanding balance. I also remind Creation of their ongoing responsibility to Mr F, to treat his financial circumstances with due consideration and forbearance. This may mean looking at Mr F's income and expenditure, to decide an appropriate level of repayment.

Putting things right

For these reasons, Creation Consumer Finance Ltd should:

- Change the date of the default information from December 2022 to September 2021, for the information recorded with credit reference agencies about Mr F's credit card account.

My final decision

My final decision is that I uphold this complaint and require Creation Consumer Finance Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 29 December 2023.

Sam Wedderburn
Ombudsman