

The complaint

Mr M complains Creation Financial Services Limited haven't defaulted his credit card with them after he fell into arrears.

What happened

Mr M's let us know that from August 2018 his account was managed by a debt charity as he'd fallen into arrears on the account. In February 2019 the account was sold by Creation to a debt purchaser. But the account was never defaulted. Mr M said in line with the Information Commissioners Office (ICO) guidance he'd like Creation to apply the default and backdate it to within three to six months of the account falling into arrears. In addition, he asked for compensation for Creation not doing this.

Mr M said in his complaint to Creation, in usual circumstances the default would drop off six years after being applied. But the debt will remain on his account for six years after it's settled – which is longer than necessary had Creation just defaulted him in line with the ICO guidance; and as he says all his other creditors did. Mr M also had concerns that Creation hadn't told him entering into a repayment plan with them meant no default would be recorded – and quoted ICO guidance which says they should have.

When Creation didn't reply, Mr M asked us to look into things.

One of our Investigators did so, but overall didn't uphold Mr M's complaint.

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.

Mr M's request for the default to be applied to his credit file for this debt appears to be based on his understanding that the debt would be removed entirely from his credit file once the default has been removed.

I say that because in his email to our service on 26 June 2023 he's said "*A defaulted debt is removed entirely from a credit report after 6 years – even if there is an outstanding balance due.*"

I'm afraid though that's incorrect. The ICO's guidance "Credit Explained" says on page 23:

Account information:

Type of information	Kept for?
<i>Live account</i>	<i>Information is collected until the account is closed, then kept for six years</i>
<i>Closed account</i>	<i>Six years from the date the account is closed</i>
<i>Default</i>	<i>Six years from the date of the default</i>
<i>Arrangement to pay</i>	<i>Depends on the terms of the arrangement agreed with the lender</i>

I agree with Mr M that once a default has been registered that is removed after six years. But if the account is still live, then the current owner of the debt can continue to report it as owed and there wouldn't be anything wrong with this.

So, as our Investigator explained, telling Creation they should now backdate a default to his credit file would in theory make things worse. I've noted Mr M's point about other debts of his having been defaulted – but I'm only considering his complaint against Creation.

In the circumstances, if Creation has chosen not to default Mr M's account, there may well be a good reason for that. I have previously seen accounts where there were legitimate reasons for not defaulting the account at the time – such as because the consumer was in a payment arrangement and kept to it. And given I don't agree with Mr M's reason for the account being defaulted, I won't be requiring Creation to default the account.

I have noted Mr M's comments that Creation aren't reporting an arrangement to pay with any of the credit reference agencies either – but I don't think there is anything necessarily wrong with this either. Referring back to the ICO's guidance in the table, this says it depends on the terms of the agreement with the lender.

So, as things stand, I've no compelling reason to tell Creation to amend Mr M's credit file in a way that'd have an adverse effect on him.

If Creation were to later default the account, then I'd expect them to also consider whether they should be backdating the default. If Mr M was unhappy with Creation's actions at this point, then he may wish to raise a new complaint.

My final decision

For the reasons I've explained I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 December 2023.

Jon Pearce
Ombudsman