

The complaint

Ms C complains that Bank of Ireland (UK) Plc (“BOI”) didn’t notify her that her AA Personal Loan account had defaulted.

What happened

Ms C held a personal loan with BOI.

In 2022 the account fell into arrears. BOI sent regulatory letters to Ms C about the arrears warning her that a default could be applied.

A Notice of Default letter was sent on 18 October 2022 followed by a Credit Termination letter dated 22 November 2022. The account was defaulted on 20 December 2022.

On 24 April 2023 Ms C contacted BOI to set up a payment arrangement for the account. The agent advised Ms C that the account had defaulted. Ms C queried this and said the agent “took it back” and assured her that the account hadn’t defaulted.

On 24 May 2023 Ms C contacted BOI to advise that she’d made a double payment and wanted a refund. The agent didn’t advise Ms C that the account had defaulted.

Ms C complained to BOI. She said she hadn’t been made aware that the account had defaulted during previous calls.

BOI upheld the complaint. It said the default had been correctly applied and it wouldn’t be looking to remove it from Ms C’s credit file. BOI acknowledged that Ms C had been given inconsistent and unclear information from the collections team on some of the calls and offered compensation of £100.

Ms C wasn’t happy with the response and brought her complaint to this service. She said she’d never received the Notice of Default or the Credit Termination letter.

Our investigator didn’t uphold the complaint. He said he thought BOI had fairly registered the default, but he agreed that the information provided to Ms C particularly after the default had been registered was inconsistent. The investigator said that the compensation offered was in line with what this service would recommend so he wasn’t asking BOI to do anything further.

Ms C didn’t agree so I’ve been asked to review the 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.

I’ve reviewed the history of the account up until the time when it was defaulted.

I can see that the account fell into arrears in 2022. System notes provided by BOI show that Ms C spoke to BOI on 23 May 2022 and told them that the current monthly instalments were

no longer affordable for her. The notes show that Ms C spoke to BOI on 23 August 2022 and told them the direct debit wasn't affordable and that she was behind on her priority debts. The notes also show that Ms C spoke to BOI on 5 October 2022. During this call, the agent explained the default process to Ms C. In a call on 9 November Ms C told the agent she was scared by the letters she was receiving. The agent explained that the letters were statutory.

I've also reviewed the correspondence sent by BOI to Ms C up until the time when the account was defaulted.

Information provided by BOI shows that Notice of Default letters were sent to Ms C on 19 August 2022, 16 September 2022, 28 September 2022 and 18 October 2022. A Credit Termination letter was sent on 22 November 2022. The account was defaulted on 20 December 2022.

Ms C has said that she never received the letters relating to the default action. I've thought about this but on balance, I think it's more likely than not that Ms C received the letters. I say this because when Ms C spoke to BOI on 5 October 2022, she specifically stated that she'd received a letter relating to a default. And when Ms C spoke to BOI on 9 November 2022, she stated that she'd received "a load of letters" from BOI which had scared her.

Based on what I've seen, I think its reasonable to conclude that Ms C received the letters.

Even if Ms C didn't receive or read the letters, I'm satisfied that she was made aware of the action that BOI could take. I say this because in both of the calls dated 5 October 2022 and 9 November 2022, the agent gave a full explanation of the default process and the implications of this on Ms C's credit file.

Ms C has suggested that because her account was placed on hold, she wouldn't have received any letters. I don't agree with Ms C about this, because on both calls dated 5 October 2022 and 9 November 2022 it was made clear to her that "on hold" meant that she wouldn't be contacted by text or phone about the arrears but that statutory letters would continue to be sent and that the default would still be applied if the arrears reached five months.

Taking everything into account, I'm unable to agree with Ms C that she wasn't told about the default process or that the account was being defaulted. I'm also satisfied, based on the state of the account, that the default was correctly applied. So I won't be asking BOI to remove the default.

I've gone on to consider the advice given to Ms C when she called BOI in 2023. I agree that the information provided to Ms C when she called in April 2023 and May 2023 was contradictory and inconsistent. However, this doesn't mean that the default shouldn't have been registered, or that it should be removed now.

BOI has acknowledged that the agents in the collections team failed to provide complete account information to Ms C and has offered compensation of £100 for the poor service. I think this is a fair and reasonable amount which is in line with what this service would award. So I won't be asking BOI to increase the offer.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 4 April 2024.

Emma Davy
Ombudsman