

The complaint

Miss O has complained that Loans 2 Go Limited ('L2G') has unfairly recorded a default on her credit file.

What happened

In October 2022, Miss O took out a loan with L2G. However, L2G defaulted the account in May 2023, because of arrears that had accrued in the preceding months.

Miss O was unhappy with this, and complained to our service. But our investigator didn't uphold the complaint. She explained we'd consider it reasonable to default an account after it had been in arrears for three months.

As Miss O disagreed, her complaint's been passed to me.

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'm not upholding it. I know this will be disappointing, but I'll explain why.

There is no guidance as to an exact time in which a lender should default an account. But, the Information Commissioner's Office uses the account being in arrears for three to six months as a benchmark. Here, the account was in arrears on a number of occasions between when the loan was taken out in October 2022, and when it was defaulted in May 2023. Although I can see a payment to clear the arrears was made on 13 May 2023, the account fell back into arrears three days later.

I'd typically expect a lender to default an account, in circumstances where there have been multiple arrears, and there's not a realistic prospect of 'getting back on track' in the reasonably near future. Here, the account was regularly in arrears, and when they were paid, it fell into arrears again almost immediately. Accordingly, I don't think it was unreasonable of L2G to default the account when it did. So, I'm not asking it to remove the default.

I understand that things can be very hard, particularly at the moment, and would urge Miss O to seek help if she's experiencing financial difficulties. She may wish to contact StepChange for guidance, if she hasn't already. Its website is www.stepchange.org .

My final decision

It's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 18 June 2024.

Elspeth Wood
Ombudsman