

The complaint

Miss M says that OAKBROOK FINANCE LIMITED, trading as Likely Loans (who I will call Oakbrook) were unreasonable to default her account.

What happened

Miss M entered into a fixed sum loan agreement with Oakbrook in June 2021.

She made payments in line with the agreement until she missed some in July 2022 and August 2022. Miss M agreed a repayment plan with Oakbrook and payments towards that arrangement were maintained. But in January 2023 when contractual repayments had resumed, Miss M missed a further instalment. Another payment arrangement was agreed but the payment due in February 2023 was missed. In March 2023 Oakbrook sent Miss M a Notice of Default and a further payment arrangement was established. Another Notice of Default was issued in late April 2023 and as Miss M didn't repay the arrears a default was reported to the Credit Reference Agencies (CRA's).

Our Investigator didn't support Miss M's complaint and he didn't suggest that Oakbrook needed to take any action. But as Miss M still disagreed, her complaint has been passed to me, an ombudsman, 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.

I've not been persuaded to uphold Miss M's complaint. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I'd expect Oakbrook to treat Miss M fairly and to show forbearance when they became aware she was in difficulties. I think they did that as they agreed to reduced payment plans and gave her some breathing space.

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It wouldn't be fair to register the default much later if there was little chance Miss M was going to be able to repay the debt she owed. To do that would be to unreasonably extend the period the adverse reports on her credit file would impact her and impact her ability to obtain future credit.

While a business, like Oakbrook, may approve a payment plan, it may still decide to default an account during that period even if the payment plan is adhered to. By the time Oakbrook defaulted Miss M's account Miss M was in significant arrears. I think Oakbrook were reasonable to decide there was little chance of her being able to sustainably repay the debt she owed, and that a default ought to be registered. They were also fair to minimise the impact of the default on Miss M's credit file as they registered it when she was about three months in arrears (in line with the ICO guidance).

I'm not persuaded that Oakbrook have done anything wrong here, and I'm not asking them to take any further action.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 29 July 2024.

Phillip McMahon
Ombudsman