

The complaint

Mrs M complains that Amplifi Capital (UK) Limited trading as My Community Finance (“MCF”) defaulted her account.

What happened

Mrs M holds a loan agreement with MCF.

On 2 December 2023 Mrs M requested a two-month payment break. MCF responded on 14 December 2023 and agreed to put the account on hold for 30 days. On 31 January 2024 Mrs M emailed MCF and asked if she could pay half of the contractual monthly payment in February and reinstate her direct debit in full in March. MCF responded on 15 February 2024. It extended the payment break for another 30 days and asked Mrs M to provide further information about her circumstances including an income and expenditure form so that it could assess whether her offer of half payment was affordable.

In both of its emails dated 14 December 2023 and 15 February 2024 MCF explained to Mrs M that arrears remained on her account and that this could impact her credit file.

MCF didn't hear back from Mrs M. On 15 March 2024 MCF sent a text to Mrs M advising her that due to non-payment her account was being referred for further action. Mrs M emailed MCF on 15 March 2024 and requested for her direct debit to be reinstated. MCF responded on 19 March 2024 and advised Mrs M that her request had been actioned but that because it could take up to 10 days to set up the direct debit, she may need to make a manual payment for her April payment.

Mrs M made a manual payment at the beginning of April 2024 for £550. MCF issued a Notice of Default on the same date requiring Mrs M to pay the balance on the account in full.

Mrs M tried to get in touch with MCF but was unable to do so. She contacted the debt recovery agency on 20 April 2024 and requested a refund of the payment she'd made on 2 April 2024. MCF processed the refund on 22 April 2024.

Mrs M complained to MCF. She said she hadn't been told that the account could be defaulted and asked MCF to review this. She also said she'd tried to contact MCF several times and hadn't received a response.

MCF issued its final response on 29 May 2024. It said the account had been defaulted correctly because it had received no payments from Mrs M in January, February and March 2024. MCF acknowledged that there had been a slow response to some of Mrs M's emails and offered compensation of £25. It also said that it couldn't remove the markers from Mrs M's credit file because it was obliged to report factual information to the credit reference agencies but acknowledged that it could've been clearer in explaining that payment holidays are not included in the terms and conditions and offered a payment of £50 as a gesture of goodwill.

Mrs M remained unhappy and brought her complaint to this service.

Following the referral of the complaint to this service, MCF offered a further £75 to resolve the complaint.

Our investigator thought the offer was fair. He said he didn't think MCF had been unreasonable in defaulting the account because Mrs M hadn't maintained payments in line with the agreement.

Mrs M didn't agree. She said she wasn't looking for monetary compensation, but she wanted the default removed and replaced with late payments.

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 know it will disappoint Mrs M, but I agree with the investigators opinion. 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 its 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've reviewed the history of the account. I can see that Mrs M made a payment of £520.17 on 1 December 2023. No payments were made in January, February and March 2024. A payment of £550 was made on 5 April 2024 but this was refunded on request.

I've reviewed the terms and conditions of the agreement. These say that missed or late payments will lead to interest and charges, and that persistent missed or late payments could make credit more difficult to obtain in the future. The terms and conditions also say that if payments due under the agreement aren't paid on time, late payments or a default can be reported to the credit reference agencies.

A failure to make payments due under a credit agreement can lead to a default being added to your credit file. A lender can default an account once there are between three and six months of arrears. The first step in defaulting an account is a Default Notice which is a letter warning that the account is in arrears and requiring payment to be made within a specified time period.

In this case, I'm satisfied that Mrs M's account was at least three months in arrears at the time when the Default Notice was issued. I'm therefore unable to say that MCF has made an error or acted unreasonably by defaulting the account.

I appreciate that Mrs M has said that she told MCF that she was expecting a bonus plus an increase to her salary in April/May 2024. She's said that MCF didn't treat her fairly because it didn't give her a chance to pay the arrears. MCF has said that it wasn't made aware of any bonus until Mrs M's email dated 3 June 2024 in which she mentioned it in the past tense. MCF has also said that as of 27 March 2024 Mrs M was still asking to spread out the payment of the arrears on the account.

Even if Mrs M did make MCF aware that she was expecting a bonus in April/May 2024, MCF isn't obliged to place the account on hold and wait for the arrears to be paid in this way. The loan agreement requires Mrs M to make her contractual monthly payment on time every month. If the payment isn't made on time, this constitutes a breach of the agreement and increases the arrears. There's no obligation on MCF to agree to the arrears being paid at an unspecified future date.

Mrs M has also said that MCF didn't make it clear to her when she requested the payment break that this could lead to a default. She's said that if she'd been made aware that the account could be defaulted, she would've looked for financial support elsewhere. MCF has acknowledged that it could've been clearer when it explained the consequences of a payment holiday and the impact that this could have on Mrs M's credit file. I've thought about this. However, on balance, I don't think MCF being clearer would've made a difference here. I say this because Mrs M initiated the request for support in December 2024 due to the financial difficulties she was experiencing at the time. She made no payments for three consecutive months. The terms and conditions of the loan agreement – which Mrs M was aware of/ought to have been aware of – make it clear that missed payments will impact on her credit file. Further, in the email from MCF which confirmed the 30-day hold, MCF has advised Mrs M that the arrears on the account could result in her credit file being impacted.

I can see that MCF were, on occasion, slow to respond to Mrs M's emails. She's also told this service that it was difficult to speak to MCF after the Default Notice had been issued – although ultimately she did manage to speak to the debt recovery agency. MCF has acknowledged that it could've provided better service and has offered compensation for this.

In the circumstances I think the overall compensation of £150 offered by MCF is fair and reasonable to resolve the complaint. I won't be asking MCF to remove the default from Mrs M's credit file because I'm unable to say that MCF made an error when it issued the Notice of Default.

Putting things right

To put things right, MCF must pay Mrs M total compensation of £150.

My final decision

My final decision is that I uphold the complaint. Amplifi Capital (UK) Limited trading as My Community Finance must pay total compensation of £150 to Mrs M.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 January 2025.

Emma Davy
Ombudsman