

The complaint

Mr R has complained that he opened a Safety Net credit facility with Indigo Michael Limited (trading as Safety Net Credit (SNC)) but a change in circumstances meant he couldn't repay the balance on time. He says SNC agreed to give him time to repay the balance but it recorded a default on his credit file along with missed payment markers. Mr R says the markers affected his finances badly which has resulted in him not being able to apply for a mortgage.

What happened

Our adjudicator thought the complaint should be partially upheld. SNC disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr R's complaint should be upheld in part. A copy of the background to the complaint and my provisional findings follow this and form part of this final decision:

What I said in my provisional decision;

Mr R approached SNC for a Safety Net facility in July 2016 and it appears he was given a credit limit of £330. This was a running credit account where a consumer could either request funds up to their credit limit, or funds would be deposited into their bank account once their account balance fell below a "safety net" amount of the customer's choosing.

Mr R's facility was placed on a temporary 30 day hold in March 2017 as Mr R informed SNC that his circumstances had changed. Mr R resumed making payments to his facility from June 2018 and the balance on his facility was repaid in full in July 2019.

One of our adjudicators looked at Mr R's complaint. Based on the limited information received from both parties, he couldn't see that SNC placed a default on Mr R's credit file.

In the adjudicator's opinion, he explained that Mr R contacted SNC in March 2017 to inform it of his new financial position. Following this, no contact was made by SNC or Mr R for around a year. The adjudicator expected SNC to have contacted Mr R about his outstanding balance but it didn't. When Mr R contacted SNC in May 2018, a payment arrangement was made until the facility was repaid in July 2019. As a result, the adjudicator thought SNC were wrong to apply late payment markers from March 2018 – June 2019 on Mr R's credit file and he asked SNC to remove them.

Mr R hasn't told us if he agrees with our adjudicator's opinion.

SNC disagreed and made the following point:

- *SNC are bound by Information Commissioner's Office (ICO) regulations. It has a duty to ensure that data that is reported on credit file must be fair, accurate, consistent, complete and up to date - in particular the Principles of Reciprocity.*

- *Removing the late payment markers wouldn't be an accurate reflection of the running of the account*
- *When Mr R informed them of his change of circumstances a hold was placed on his account.*
- *Mr R was informed that he must keep SNC updated of his situation otherwise his account may revert back to its original terms and*
- *Mr R was receiving monthly statements throughout the entire duration so he was aware he still had an outstanding balance.*

As no agreement could be reached the complaint has been passed to me for a final decision.

What I've provisionally 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 also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Having carefully thought about everything I've been provided with, I'm still intending to partly uphold Mr R's complaint but in order to put things right I'm going to ask SNC to do something slightly different to what was suggested by the adjudicator. I've explained my reasons for doing so below.

Firstly, I'd like to start by saying that I agree with SNC that it is required by the ICO to report accurate information about the running of credit accounts to the different credit reference agencies. However, should a mistake have been made by SNC, then it may not be appropriate for all adverse information to remain and some or all of it may need to be remove or updated.

Mr R has said that after he took out his SNC facility, his financial position changed to the point where he couldn't meet his repayments. He says he informed SNC about his finance issue and asked the lender to give him some time to pay the full balance. He says SNC agreed to give him time. But the lender reported a default and missed payment markers on his credit file.

Mr R hasn't provided us with a copy of his credit file so I'm unable to see exactly was reported by SNC. So I've had to rely on what SNC has told us. It says the following information has been reported;

- *Between March 2017 until April 2018 that the account was in arrears.*
- *Between May 2018 and May 2019 - "Arrangement to Pay"*
- *June 2019 - "Arrears"*
- *July 2019 – "Settled"*

So based on what SNC has told us – there appears to be three period of time where different information has been reported to the credit reference agencies, so I've taken each on in turn.

March 2017 - April 2018

The contact notes provided by SNC show Mr R contacted it in March 2017 to say he was in financial difficulty due to his wife losing her job and that he would need to pay all the bills. SNC advised Mr R that 30 days forbearance hold would be placed on the account, as part of

which SNC froze the interest on the account. The contact notes following this suggested Mr R was advised to update SNC about his ongoing situation or that he would send in documentation supporting what he told it. The note also suggests some information was given to Mr R about making minimum payments, but it isn't clear exactly what he was told.

Based on the information Mr R told SNC, I think its actions were reasonable at the time. It appears SNC treated Mr R fairly by placing the account on a temporary hold giving him some breathing space. I then would have expected SNC to have contacted Mr R after this 30 day hold to discuss how he would be meeting his repayments going forwards.

It doesn't appear that SNC did this. But equally, it doesn't appear Mr R contacted SNC about his situation either. While I think SNC ought to have contacted Mr R to ask for an update, I also don't think it is solely down to SNC. It seems that SNC asked Mr R to get back into contact with it – which he didn't do. Additionally, SNC has told us Mr R was still receiving monthly statements during this time so I think these would have shown he had an outstanding obligation to the lender.

SNC has told us it reported Mr R's facility was in arrears during this time and it doesn't appear that it charged interest on Mr R's outstanding balance. Whilst I don't know exactly what was reported as I don't have a copy of Mr R's credit file, I don't think it's fair for SNC to have reported arrears due to making no contact with Mr R for over a year.

But equally, I don't think it's fair for all the adverse to be removed in that year as ultimately, Mr R had already told SNC that he wasn't able to meet his monthly contractual repayments due to a change in circumstances. So some adverse credit file information was likely to be reported.

On balance, I think, had either party contacted each other it's more likely than not that Mr R would've have gone on to some form of a payment arrangement to repay his outstanding balance. I say this because when SNC did contact him in May 2018, he asked for a payment arrangement and this was agreed.

Therefore, I think SNC should update Mr R's credit report to show that he was in an arrangement to pay between March 2017 and April 2018, rather than reporting his account as being in arrears.

May 2018 – May 2019

When SNC contacted Mr R on 1 May 2018, it confirmed that the account would revert back to the standard terms of his credit agreement if Mr R did not contact them within two weeks.

Mr R contacted SNC around three weeks later, he explained that he was unable to clear the outstanding balance but that his circumstances were more steady and he was able to make payments of £10 per month. This resulted in an arrangement being placed on the account for £10 per month. And it seems that after the plan was agreed, Mr R met the terms of the payment arrangement.

The contact notes in May 2019 show Mr R contacted SNC as he was unhappy that a default had been applied to his credit file. As I've explained, we don't have anything to support that a default has been applied; indeed SNC has told us one hasn't been applied. However, if Mr R can provide his credit file that shows something different, I'd be happy to reconsider this point.

SNC has told us that it reported "Arrangement to Pay" markers during this time. As Mr R was in an arrangement to repay, I think the information the lender reported is an accurate

reflection of the running of the account. So, I'm not going to ask SNC to make any adjustments to the credit file for this period.

June and July 2019

SNC has told us it reported Mr R's facility was in arrears for June 2019 and settled for July 2019.

The contact notes dated 31 May 2019 show an arrangement was reached for Mr R to make two payments to clear his outstanding balance on 3 June 2019 and 3 July 2019. And this is what he did. So, for June 2019 I think a more accurate reflection of Mr R's account would be to record an arrangement pay for June, rather than the account being in arrears.

And given the balance was repaid in July 2019, I think it's correct that this is when the account is marked as settled.

Other considerations

I've considered what Mr R has said about the impact of having a default and later markers on his account and that this has affected him getting a mortgage. As I've explained, I don't have a copy of his actual credit file. So I don't know exactly what has been reported or what impact this is having on his credit file. If Mr R would like to provide further information about this, I will review this further.

For the reasons I've explained above, I think SNC should make changes to Mr R's credit file to accurately reflect what has happened or what was likely to have happened had further contact been made by both parties.

What I've decided – and why

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

SNC accepted the provisional decision and Mr R hasn't responded with any further comments or evidence he wanted me to consider. So, I see no reason to depart from the findings that I previously outlined in my provisional decision.

So, in summary, I still think SNC needs to make adjustments to Mr R's credit file and I've set out below what it needs to do to put things right.

Putting things right

To put things right for Mr R, SNC should:

- remove any arrears markers and instead report that Mr R was in an "Arrangement to Pay" between March 2017 and April 2018.
- report Mr R was in an "Arrangement to Pay" between May 2018 and May 2019.
- remove any arrears markers for June 2019, and instead report that Mr R was in an "Arrangement to Pay".
- report Mr R's account as "settled" in July 2019.

My final decision

For the reasons I've explained, I partly uphold Mr R's complaint.

Indigo Michael Limited should put things right for Mr R by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 6 July 2020.

Robert Walker
Ombudsman