

## **The complaint**

Mr R complains that The Co-operative Bank plc (Co-op) incorrectly placed his loan account with a debt collection agency which led to his mortgage application being declined.

## **What happened**

Mr R took out a loan with Co-op while he was a student in 2017 and in error Co-op placed the loan account with a debt collection agency. Mr R says when he originally complained about this in 2019, he was told it was a mistake, as his payments were up to date. Mr R was then told Co-op were unable to take back the loan from the debt collection agency, but it wouldn't interfere with his credit rating. A few months later Mr R applied for a mortgage with another bank and this was declined because of the payments seen on his bank statement payable to the debt collection agency. Mr R says this caused considerable stress, embarrassment and delayed his mortgage application.

Co-op says while they accept they made an error in placing the account with the debt collection agency, and in hindsight could have returned the loan account at the time of the initial complaint, Mr R's credit rating wasn't affected by this. Co-op says that within a few days of his mortgage being declined, it was approved. Co-op says they have now returned the loan back from the debt collection agency. Co-op have also paid £500 by way of compensation in addition to £75 paid in 2019 when the original complaint was first made, and they feel this is fair and reasonable.

Mr R wasn't happy with Co-op's response and referred the matter to this service.

The investigator looked at the information available but didn't uphold the complaint. She felt while Co-op had made mistakes these had been put right and they had adequately compensated Mr R.

Mr R wasn't happy with the investigator's view and says the compensation offered isn't sufficient and asked for the matter to be referred to an ombudsman for 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.

Having done so, I have come to the same outcome as the investigator and I will explain how I have come to my decision.

When looking at this complaint, given the mistakes made by Co-op have been corrected, I have considered if they have adequately compensated Mr R for the inconvenience he has been caused.

I can see it would be upsetting for Mr R to have seen his application for a mortgage declined as a result of an error made by Co-op although it's worth mentioning that Co-op have accepted, they made mistakes and have taken steps to put matter right. What happened here is Co-op, after initially granting a loan to Mr R in 2017, then rescheduled the loan to the

correct repayment plan and it was these actions, it is thought, that led to the loan being incorrectly passed to a debt collection agency.

From the information I have seen, Co-op apologised to Mr R at the time of his complaint in 2019 and paid him £75 by way of compensation. I can also see that at this point they did have the opportunity to take back the loan from the debt collection agency but didn't. Mr R is right when he says the reason for his mortgage being declined initially was down to the mortgage provider noticing the direct debit payments to the debt collection agency on his bank statements. Mr R says this caused him embarrassment, inconvenience and delayed his mortgage being approved.

The main complaint here centres around Mr R's mortgage being declined but I can see that the mortgage was subsequently approved a week or so later after Co-op produced a letter for Mr R, confirming their mistake. While this would have been inconvenient for Mr R, I am satisfied that Co-op acted quickly to ensure this matter was resolved.

As far as the loan being sent to a debt collection agency is concerned, although this has led to the inconvenience mentioned above, this has now been taken back by Co-op and at no point was Mr R's credit rating affected by this. That isn't to say Mr R hasn't been inconvenienced here and Co-op have acknowledged that and paid a total £575 in compensation in recognition of this.

I have considered what Mr R says about the compensation payment and while we would expect banks, like Co-op, to put matters right when mistakes are made and pay compensation when it's due, it's not my role to penalise them. As the investigator has explained this service doesn't look to compensate for working time that may have been lost during the time of the complaint.

In this case Mr R has been inconvenienced but I have to consider to what extent and degree and on balance, I am satisfied the compensation paid is fair and reasonable in the circumstances for the reasons given before.

While Mr R will be disappointed with my decision, I won't be asking anymore of Co-op here.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 December 2020.

Barry White  
**Ombudsman**