

The complaint

Mr B complains that Creation Financial Services Limited (CFS) unfairly recorded a default about his account with credit reference agencies. He also complains about poor service provided by Creation Financial Services Limited.

Mr B is represented by Miss B.

What happened

Mr B had a credit card account with CFS. He says the account fell into arrears in January 2018. He made an arrangement with CFS and started to make the agreed payments. He says his income subsequently fell, and CFS agreed to freeze the interest on the account. But he says CFS recorded a default with credit reference agencies in August 2018.

Mr B says the default has been recorded unfairly. He says he didn't receive any default notice or other letters. And he says that despite making several requests for statements, CFS has failed to provide these to him. He complained to CFS.

CFS investigated his complaint. It said that after his account went into arrears the agreement between it and Mr B ended. This meant online access was no longer available on the account. It agreed it hadn't sent him a default notice. So, it said it would remove the default and offered to pay him £150 by way of compensation for the distress and inconvenience he'd experienced.

Mr B didn't accept this offer. He thought he should get more compensation. He said he'd been unable to obtain finance because of the default that'd been registered. So, he referred his complaint to our service.

Our investigator looked into his complaint. He said a default could be registered when arrears had built up to an unacceptable level. Although he didn't think Mr B could've cleared the arrears on his account within six months, CFS hadn't sent him a default notice. And it had agreed to remove the default it had registered. Our investigator thought this was fair and reasonable.

Our investigator also considered what Mr B had said about the level of compensation he'd been offered. He said he'd looked at Mr B's credit file and he wasn't persuaded the registration of the default was the sole reason why Mr B hadn't been able to obtain finance. So, he thought that CFS's offer to pay him £150 by way of compensation was fair and reasonable.

Our investigator also considered the poor service Mr B had received. He'd asked for statements on several occasions, but these hadn't been provided and his calls hadn't been returned. So, our investigator upheld this part of Mr B's complaint and said CFS should pay a further £100 by way of compensation.

Mr B didn't agree. He said the default still hadn't been removed. He also thought £100 wasn't enough for the time he'd had to spend trying to get things resolved.

Because Mr B didn't agree the complaint has been passed to me to decide.

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.

Mr B experienced financial difficulties and he asked CFS to assist him. When a customer falls into financial difficulties we'd expect the business to treat him sympathetically and positively. So, I've considered the actions CFS took in this case.

Mr B says CFS agreed a repayment plan with him. He says when his income fell CFS agreed to freeze the interest on his account.

CFS acknowledges it agreed a repayment plan with Mr B. But it says this was after it had made a business decision in March 2018 to end the agreement with him because he'd failed to make his payments on time. It says when it ended the agreement it placed a specific block on his account because of the financial information he'd provided. And it says that's why further interest and charges weren't applied.

I've looked at the statements for Mr B's account. I've noted CFS didn't apply any fees or interest after February 2018. So, I think this supports what CFS says about placing a specific block on his account. I've also noted, after May 2018, Mr B started to make a payment of £100 each month. I think this is the repayment plan he's referring to.

The Information Commissioner's Office (ICO) has published "Principles for the reporting of arrears, arrangements and defaults at credit reference agencies." These state that where there is an arrangement, such as that agreed with Mr B, a default would not normally be registered unless the terms of the arrangement are broken. The credit report will show that an arrangement is in place.

So, because Mr B had made an arrangement and was keeping to its terms, CFS shouldn't have recorded a default. CFS has now accepted it shouldn't have recorded a default. It says it should've issued a default notice first and it didn't do that.

In these circumstances, I'd expect CFS to remove the default it registered. It did tell Mr B it would do that. But Mr B says this still hasn't been done. I'll comment further about this later in this decision.

Mr B says because the default was registered, he's been unable to obtain credit. And he's provided evidence to support the fact that a credit application was declined.

It's important to note that different lenders approach the provision of credit in different ways. In the evidence he's provided to our service Mr B says the lender has referred to "unsupportive information at credit reference agencies" and he says this is directly related to the default CFS had registered.

I've looked at the credit file report Mr B has provided. I can see, as our investigator said, there is other adverse information recorded on his credit file. And, as I've mentioned above CFS correctly recorded there was an arrangement in place for his account with it. So, although I agree that the default CFS had recorded didn't help his application for finance, I'm not persuaded that it was only because of this information that his application for finance was declined. And, in these circumstances, I don't think CFS should have to compensate him because the credit application was declined.

Mr B says the compensation he's been offered is not enough and he says CFS should be fined. But, it's not our role to punish or fine a financial firm where it makes errors. Our role is to consider the action the firm took to try to put things right.

Having considered everything here, I'm satisfied CFS agreed to remove the default. And it's offered to pay Mr B £150 by way of compensation for what happened when it registered the default without issuing a default notice before it did this. I agree with our investigator that £150 is fair and reasonable compensation for the distress and inconvenience Mr B experienced as a result of CFS not having issued a default notice before registering the default.

CFS should now make arrangements to pay this money (£150) to Mr B.

Mr B says CFS still hasn't removed the default from his credit file and he's provided us with some information from the credit reference agency where CFS has said the information recorded is correct and should remain unchanged.

I'd just point out that whilst CFS agreed to remove the default, it didn't agree to remove any other information it had recorded at credit reference agencies about the account. It is the case that Mr B had made an arrangement with CFS which it correctly recorded with credit reference agencies. And, as our investigator pointed out, despite the fact that Mr B was making payments in line with the arrangement, there were still significant arrears on the account.

CFS told our service in July 2020 it had asked for the default to be removed but it could take up to 28 days to complete this process. And, it confirmed to us on 26 October 2020 it'd instructed its team to put this through again, if it hadn't already been completed. CFS also explained to our service that due to current circumstances credit reference agencies are experiencing some delays. So, that might explain why the credit file hadn't been updated.

I can see why there might have been delays with updating credit reference agency records. Despite this, I would've expected the default to have been removed by this stage. I can see there has been some recent progress with amending the credit reference agency information. But, if it hasn't done so already, CFS should take immediate steps to ensure that it removes the default it's registered at credit reference agencies about Mr B's account.

I've also considered what Mr B has told us about the poor service he's received. I can understand why CFS might not have been able to provide online access to statements after the account fell into arrears and the arrangement was put in place. But I think it's fair and reasonable to expect CFS to provide Mr B with ongoing information about the state of his account including details of payments and the outstanding balance. He says he's asked for this information on several occasions. But he says CFS hasn't provided the information he requested.

Mr B has told us he's received a statement in July 2020. CFS says it can't automatically issue this information to Mr B every month. It says it will do it upon request.

As mentioned above, I think it's reasonable for Mr B to expect to get information about his account. I don't think CFS's failure to send him regular statements meant that he couldn't make payments under the arrangement. But I've taken what Mr B has told us about CFS's failure to send him information, about his payment history and outstanding balance, when he asked it to, into account when determining what's fair and reasonable compensation in this case.

Having considered everything here, I agree with what our investigator said. In addition to removing the default and paying £150 by way of compensation for distress and inconvenience, CFS should pay Mr B a further £100 by way of compensation for the poor service he's received. I think that's fair and reasonable.

My final decision

For the reasons given above I uphold this complaint about Creation Financial Services Limited.

I now require Creation Financial Services Limited to:

- take immediate steps to remove the default it registered with credit reference agencies about Mr B's account; and
- pay Mr B £250 (in total) for the poor service he received and for the distress and inconvenience he experienced as a result of what happened.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 January 2021.

Irene Martin
Ombudsman