

The complaint

Mrs F complains that Debt Managers (Services) Limited continued to report an account to the credit reference agencies after it had been included in an Individual Voluntary Arrangement (IVA). She wants her credit file to be updated correctly and compensation.

What happened

Mrs F tells us that she cleared all her debts through an IVA which was completed in 2019. But she later discovered that her credit file showed that DML - which had previously owned one of the debts – was still reporting this as open and unsettled. Mrs F explains that an application she made for employment was delayed. And that as a consequence of her credit file entry, she had to be referred to and provide an explanation for a professional standards committee.

DML accepted that an error had been made. And that the account should not have continued to be reported. It offered £300 in full and final settlement of the complaint. And it said it had taken steps to correct the error with the credit reference agencies.

Our investigator recommended that DML should pay £500 compensation. He said Mrs F had experienced undue trouble and upset. Including being referred to a standards committee within her employment. He thought DML had delayed its investigation and that if had been followed up in 2019 – after a dispute had been raised by a credit reference agency - Mrs F would have been spared some of the time and effort to get the matter resolved.

DML didn't agree and said it wouldn't increase its current offer. As it's not been possible to resolve this complaint an ombudsman's been asked to make the 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 can understand why Mrs F would be concerned and upset that a debt that she had repaid was still being reported as open and unsettled. And that this has had a substantial impact on her. She was applying for employment, the nature of which required a high standard of financial probity.

The material facts aren't really in dispute. DML sold the debt which was part of an IVA towards the end of 2017. At which time it should have ceased reporting it as the new owners assumed that responsibility. The IVA was completed in July 2020.

DML received a query from a credit reference agency in November 2019 querying the account status and that DML was reporting the debt as unsettled.

DML maintained the reporting was correct. And it wasn't until it upheld Mrs F's complaint in July 2020 that DML accepted that an error had been made.

In assessing the appropriate level of compensation I'm aware that Mrs F has explained that

she was refused a mortgage owing to the relevant account still being reported as being defaulted. But whilst I accept this wouldn't have been a positive feature of any application it's almost impossible to identify – such is the number of relevant criteria – a single factor that results in an application failing.

More relevant I feel is the length of time it took for DML to fully investigate and accept that an error had been made. This dates back to November 2019. And whilst any inaccurate reporting of an account as unsettled and in default is likely to have an adverse impact, it can't really be disputed that the longer this persists the greater the effect is likely to be.

Mrs F has probably also experienced an above average level of distress and inconvenience due to her employment situation. Notes indicate that DML was advised in January 2020 as to the specific reason why its reporting of the account status was being queried. I'd have expected this to have prompted a more thorough investigation. And I conclude the impact the error had on her is substantial. I've also reached a similar conclusion to that of our investigator, namely that this impact might have been mitigated had DML acted more purposefully.

Given that DML had more than one opportunity to correct its error – and the delay occasioned - I find that compensation of £500 – which is at the lowest level of what we consider to be substantial – is fair and reasonable.

Accordingly that is the figure I shall require DML to pay to Mrs F.

Putting things right

Debt Managers (Services) Limited should now take the following action:

Pay £500 to Mrs F for distress and inconvenience caused by the mistaken reporting of this account.

My final decision

For the reasons given above my final decision is that I'm upholding this complaint.

I require Debt Managers (Services) Limited to take the action I've stipulated in the preceding paragraph.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 29 March 2021.

Stephen Ross
Ombudsman