

The complaint

Mr C complains that Bank of Scotland plc trading as Halifax wrongly recorded a marker at CIFAS, the national fraud database.

What happened

Mr C explains he was the victim of identity theft in 2014. An account was opened by a fraudster in his name with Halifax and used to receive money. He says he explained this at the time and that he understood a protective marker was added to CIFAS and he set up a password for access to his information at a credit reference agency. He says that in May 2020 the charity he is involved with applied for a grant. He found that this was refused due to a problem with one of the applicant's CIFAS records. And when he made a SAR he found that Halifax had actually registered a fraud marker, implicating him, in 2014.

Halifax accepted it made a mistake and apologised and said it should have removed the marker in November 2014. It offered to pay Mr C £1,569 in compensation, but he didn't accept this.

Our investigator didn't recommend that Halifax do more than it had offered to. She said that Mr C had explained the impact of the marker on him being able to apply for credit and that the borrowing he was able to obtain was at higher interest rates. He said he hadn't been able to get a mortgage and a mainstream account for his business. The type of account he did have meant he wasn't eligible for another grant. He explained his mental health has been affected and that he thought he couldn't obtain credit even though no one would tell him why.

She explained that we'd only be looking at the impact on Mr C personally and not on his separate business or the charity he was involved with. She said she needed to determine if the amount he had been offered was reasonable given the impact of the marker for him. While Mr C said he didn't get a loan at a lower interest rate it wasn't possible to say he would otherwise have done so save for the marker. And she thought it reasonable for him to have enquired a bit further when he was declined for credit and a mobile phone contract – even if those organisations wouldn't explain this directly. We wouldn't be compensating for loss of earnings while Mr C pursued this with Halifax. And she thought that the compensation which has now been paid was reasonable.

Mr C didn't agree and wanted his complaint to be reviewed. He lost money, was embarrassed in front of colleagues and his contract wasn't renewed given the questions that had been raised.

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 don't doubt the frustration and distress caused to Mr C when he discovered the marker had been recorded against his name. Instead of helping to protect him from being the victim of fraud again it signalled to any financial business accessing the database that he had been reported to have been involved in fraud by Halifax. He explains examples of being turned down for credit including a mobile phone contract in Summer 2019 in front of his daughter. And of only being able to access payday loans or a loan at an interest rate of 10.5 percent per annum when he ought to have been paying three percent at most. Things came to a head when the charity he was involved with discovered the issue after it made an application for funding. And he had to pay £69 for his business account – the only type available being one that also restricted what his business could apply for in funding.

He wants compensation for the extra interest he's paid, loss of six days' earnings pursuing this and his extreme stress and inconvenience. And a five-figure total payment to the charity projects he is involved with to compensate for the loss of funding. He says that it is difficult to estimate the impact over the five-year period.

I know I am going to disappoint him when I say that I agree with our investigator that we are only going to be able to consider in this complaint the impact on Mr C personally.

I can't know what would have happened if the marker hadn't been in place. A marker should not lead to automatic refusal. Financial businesses must make their own checks and decisions which will also take into account other factors. Mr C has indicated his credit score seemed good so I do think that following the established fraud in 2014 he might have been able to take reasonable steps to help mitigate the impact here when as he says the declines he was faced with didn't make sense to him.

He was understandably embarrassed in May 2020 when the marker was discovered during a grant application. This marker was removed the following month and Halifax has written to him with an apology removing any basis for genuine suspicion from then.

We don't make punitive awards and we publish guidelines around compensation for trouble and upset. I don't have sufficient evidence to make an award for specific financial loss. But I do take into account my findings about the distress, inconvenience and measure of embarrassment and reputational damage caused to him. And the long period over which this marker was incorrectly applied. We consider awards of the level already offered by Halifax to be in our 'substantial' category and which typically reflect considerable embarrassment, upset and inconvenience. We don't generally make awards for time spent and these wouldn't be at professional rates. Here I am considering the overall position.

Having done so I find that the amount already offered and now paid to be reasonable and not less than I might otherwise have awarded. So, I am afraid I won't be increasing this. I know Mr C will remain disappointed with my conclusions.

My final decision

My decision is that I do not uphold this complaint in the sense that Bank of Scotland plc trading as Halifax need do no more than it has already done, and which was to pay Mr C £1,569.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 April 2021.

Michael Crewe
Ombudsman