

The complaint

Mr B complains that Brent Shrine Credit Union Limited, trading as My Community Bank, is reporting a default on his credit file.

What happened

In 2018 Mr B borrowed £4,000 from My Community Bank (MCB). In 2019 he lost his job due to mental illness, and he fell into arrears. In 2020 he sent MCB a letter from his doctor, which said "it would help if his stress could be reduced by removal of the pressure to repay the debts he has." He asked MCB to write off his debt.

MCB responded by assuring Mr B that it would not pursue the debt. It defaulted the loan and reported this to the credit reference agencies. But it would not agree to write off the loan and report it as settled, as Mr B wishes, because this would not be factually accurate. It said this would also reduce the risk of Mr B obtaining a new loan which he could not afford. Being dissatisfied with that outcome, Mr B brought this complaint to our service. He also complained about poor customer service.

Our investigator did not uphold this complaint. She thought that Mr B had got what he wanted by MCB agreeing not to pursue him for the outstanding debt, and this satisfied the doctor's request. She said it was fair of the bank to report the default, because that fairly reflected what had happened. Reporting it as settled would not be true. She said the bank had explained this clearly to Mr B in its emails, and so she did not uphold the complaint about poor service.

Mr B asked for an ombudsman's decision. He said that the default marker was preventing him from moving on, and he felt as though the debt was hanging over his head.

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 do not uphold this complaint, for broadly the same reasons that the investigator gave.

I think that by agreeing not to pursue Mr B for any more payments towards the outstanding debt, MCB did enough to satisfy the doctor's request. It was certainly under no obligation to do more than that. Although Mr B has told us that his other creditors wrote off his debts, I think that was a matter for them; it did not create a precedent which MCB had to follow.

MCB's only obligation here is to ensure that what it reports to the credit reference agencies is accurate. Reporting the debt as settled would not be a true description of what happened.

The debt was not written off. MCB's agreement not to pursue the debt has been accurately reported as a default, and I think that it was reasonable of MCB to do that.

If Mr B is worried about the effect of a default on his credit file, then I would encourage him to reflect on whether it would really be in his interests to apply for a new loan in the near future, given his recent inability to repay a relatively small loan. Further borrowing would be likely to get him into further financial difficulties. An accurate credit file not only protects lenders, it also protects consumers from taking out loans they cannot afford. If I ordered MCB to remove the default, that would not necessarily assist Mr B in the long run.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 August 2021. But there is no need for him to reply, since if we do not hear from him then we will presume that he rejects it.

Richard Wood
Ombudsman