

The complaint

Mr R is unhappy that when he applied for credit with Premium Credit Limited (Premium Credit), they left a footprint on his credit file while they carried out a credit file search.

What happened

Mr R took out an insurance policy with a company I'll refer to as C. Mr R financed his insurance premiums for this insurance policy through a credit agreement with Premium Credit. In November 2020, Premium Credit left a footprint on his credit file when they carried out a credit file search. He is unhappy because if he had been specifically informed that a hard search would have been recorded on his credit file with Credit Reference Agencies (CRAs) at the time of application for the credit, he said he would've gone with an alternative provider, that would have completed a soft search only. He said that a soft search wouldn't have negatively impacted his credit score, but it would've been enough for them to perform their affordability, anti-money laundering, ID and fraud checks.

Also, Mr R said that terms and conditions he has been provided with don't explain that a hard search will be completed, and only that a credit check will be done. So, he said that he assumed this would've been a soft search, as is common practise for the type of financing he was taking out. He said that his policy premiums were for a low amount so he wouldn't expect a hard credit search to be completed. He would like Premium Credit to remove the hard search from his credit file, because he says he now has a lower credit score which could limit his ability to apply for future credit; if or when he may need to apply.

In February 2021, Premium Credit wrote to Mr R. In this correspondence, they explained that the broker that arranged the credit, would've advised him that Premium Credit will carry out searches and this will appear on his credit file. In this correspondence they also said that as a business regulated by the Financial Conduct Authority, they must ensure that they are lending to their customers responsibly, therefore, the searches they carry out, will allow them to reach a decision on whether they should or shouldn't lend.

Premium Credit said that Mr R was provided with their credit agreement which he signed. They said the agreement sets out how they use his data, including information relating to the credit reference agencies. So, they said they didn't uphold Mr R's complaint, and don't think they should remove the search from his credit file.

Mr R was unhappy that Premium Credit refused to remove the search from his credit file, so he brought his complaint to this service.

Our investigator thought the complaint shouldn't be upheld.

Mr R disagreed with the investigator.

So, 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.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened, based on the evidence available and the surrounding circumstances.

I also want to acknowledge that I've summarised the events of the complaint. But I want to assure Mr R and Premium Credit that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

Premium Credit provided our service with information that Mr R would've been given by the broker who arranged the credit for his insurance policy. This says: *'Your credit agreement is provided by Premium Credit Limited. It provides finance for your [name of business] Insurance Policy. We will share your name, risk address, email and other personal data with Premium Credit Limited who require this to carry out anti money laundering checks and credit underwriting to assess creditworthiness and affordability. Details of the search will appear on your credit file.'*

I've also seen that the credit agreement from Premium Credit, which was signed by Mr R, says: *'by entering into this Agreement you agree that we may: (a)search your records at CRAs when you first enter into this Agreement and periodically during the term of this Agreement such as if you apply to increase the credit amount. These searches will tell us about your credit history. When the CRAs receive a search from us they will place a footprint on your credit file and in this way they will add to their record about you details of our search which will be seen by other organisations making searches (for example, other lenders or providers of credit). These details will be used by those other organisations when assessing your applications for credit. Credit searches and other personal information about you which we provide to the CRAs will be used by the CRAs and shared with those other organisations to trace your whereabouts, recover debts that you owe and to verify your identity. Records remain on file at the CRAs for 6 years after they are closed, whether settled by you or defaulted.'*

I think that it is not disputed that Mr R was provided with the above information before he entered into the credit agreement with Premium Credit. And, I think this information made it clear enough that this kind of search will form part of his application process. Also, it is generally accepted that an application for credit may leave a footprint on a credit file.

Even if this wasn't the case, I've not been presented with any evidence that this affected Mr R adversely. I know that Mr R says that his credit score has been negatively impacted, and I can see that one of the CRAs on their website explains that too many hard credit checks over a short period of time can affect a credit score for six months. But, I have to consider that any subsequent declined applications for credit would be because of decisions made by a prospective lender. Those lenders will decide themselves how to interpret the information that is present on his credit file, and each lender has their own criteria for this. New applications for credit could be declined or accepted for any number of reasons, and I don't have a way of knowing what bearing the search in question will, or will not, have on such a decision. Also I've not been presented with any evidence which would show that Mr R has suffered a financial loss due to the actions of Premium Credit. And, I can't comment and take

into consideration what might happen, as we consider each complaint on its own merits and based on its own specific set of circumstances.

I've also taken into consideration that lenders are usually required to perform financial checks to ensure that a borrower is able to sustainably repay any credit that is granted. And it is not unreasonable for lenders to use a credit reference agency to conduct a hard search of a prospective borrower's credit file. This can happen as long as the creditor obtained the borrower's permission to access their personal information – and I'm satisfied that Premium Credit have done so in this case.

I understand that Mr R feels strongly that a '*hard*' search has not been mentioned specifically, and he says had he been made aware of this, he would've gone with a different provider. But I think that the terms and conditions of his credit agreement do state that a footprint will be placed on his credit file, and they do also say that: 'For full details about our sharing of your personal information with the credit reference agencies (CRAs) please contact us (details below).', so I don't think it would've been unreasonable for him to clarify what type of search will be completed prior to entering into this particular credit agreement, if this was so important to him.

So overall, while he has my sympathy, I'm very sorry to disappoint Mr R but on this occasion my decision is that I'm not asking Premium Credit to take any further action.

My final decision

My final decision is that I don't 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 25 October 2021.

Mike Kozbial
Ombudsman