

The complaint

Mr S complains that TSB Bank plc incorrectly recorded information on his credit file.

What happened

Mr S entered into a Debt Arrangement Scheme (DAS) for his debts including his TSB's accounts. He says he made all required payments and the DAS was settled in 2020. Mr S says he then applied for a mortgage which was refused and noticed TSB had registered a default on his credit file. Mr S also says the accounts were reported as being in arrears. He says he lost out on the property he intended to buy but accepts there were problems with it and says other lenders correctly recorded his position. Mr S would like his credit file amended and compensation for what took place.

TSB accepts making a mistake by recording the defaults on Mr S's credit file and has paid £150 compensation. It says it hasn't made a mistake by recording the account as in arrears and will not record the debt as being settled in full.

Mr S brought his complaint to us and our investigator upheld the complaint. She thought the DAS had been settled in full in 2020 but the credit file showed TSB had recorded late payment markers throughout. The investigator thought the DAS could be shown as an arrangement but showing the payments as up to date. But didn't think TSB responsible for the property sale falling through as there was a problem with it in any event. The investigator recommended TSB pay £250 compensation and record the accounts as settled, not partially settled. And show that they were in arrangement.

TSB doesn't agree with that view and says at the end of the DAS the account is partially settled. It says it correctly recorded the accounts in arrears as full payments were not received.

My provisional decision

I issued a provisional decision on this complaint and said as follows.

I said I uphold this complaint in part. I thought provisionally that TSB did make a mistake, as it accepts, by recording the default when it did but thought under the DAS provisions the debt is settled in full. But my provisional view was that TSB was entitled to record the account as being in arrears and that a further £250 compensation was not justified for the reasons I said I would explain.

I said there was no question here that TSB made a mistake by recording the default on Mr S's credit file when it did. I was sure Mr S was caused distress and inconvenience in those circumstances and would have spent some time trying to sort matters out. I didn't think TSB was responsible for the property sale falling through and could see that Mr S fairly accepts that there were issues with the property in any event. I was satisfied that TSB's compensation offer was fair and reasonable and that I couldn't see Mr S suffered any direct financial loss as a result of the mistake. I was also satisfied that TSB has fairly agreed to remove the default.

The key issue here is how the debt should be recorded. I appreciated TSB says the debt wasn't repaid in full and so should be recorded as partially settled. But having looked at the DAS regulations, I was satisfied that a debt ought to be regarded as fully settled when all required payments are made, and the DAS has come to an end. And that a creditor is unable to take any legal action to recover the debt when the DAS has ended. In those circumstances I thought it unfair for TSB to record the debt as partially settled when it was clear that is not the purpose of the DAS scheme which I thought TSB would have agreed to when it was entered into.

I asked TSB how it would normally record a payment arrangement, and it says it would record a customer's account as in arrears. I thought TSB has a duty to record accurate information to the Credit Reference Agencies (CRA's) and is entitled to report the DAS to the them. I also thought that Mr S didn't make required payments before the DAS and so TSB was entitled to report the account as being in arrears. I accepted Mr S made all required payments under the DAS, but I thought that is a separate issue to the account itself being in arrears. So, my provisional view was that TSB didn't make a mistake by reporting the account as being in arrears.

Overall my provisional view was that TSB should record Mr S's accounts as fully settled or satisfied and reflect the terms of the DAS. I didn't think TSB should remove any arrears information about the accounts themselves and thought it's entitled to report to the CRA's there was a DAS or arrangement in place. By recording the accounts as fully settled then I thought that has the effect of recording that Mr S kept to the terms of the DAS.

I thought provisionally that TSB ought to pay further compensation to Mr S, as I was satisfied, he has spent further time in trying to sort these issues out and that he would have been caused further inconvenience. I didn't think this issue had the same impact as the default mistake. And so, I didn't think a further £250 compensation was justified. I thought that TSB should pay a further £75 compensation.

TSB has replied to my provisional view and maintains that a DAS is not fully settled at its conclusion.

Mr S doesn't wish to add to the information and representations he has already made.

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 have come to the same overall view that I reached in my provisional decision and for the same reasons.

Putting things right

TSB should pay compensation and amend Mr S's credit file.

My final decision

My final decision is that I uphold this complaint and order TSB Bank plc to pay Mr S £75 compensation and amend his credit file to show his accounts as fully satisfied or settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 October 2021.

David Singh
Ombudsman