DRN-3142593

The complaint

Mr I complains that Lloyds Bank PLC failed to default a debt when he first asked it to, in 2015. He says that the more recent default from this account has stopped him buying the home he wanted for his family.

What happened

Mr I said he asked Lloyds to close and default his credit card and current account in 2015, after the collapse of his then employer left him in a difficult financial situation.

Mr I told us that recently, he paid a deposit for a property he intended to buy. But he discovered then that Lloyds hadn't defaulted his current account in 2015. It only took this step in 2019. With a recent default on his credit file, Mr I told us that he was unable to secure a mortgage at reasonable market rates. He said the purchase of this house fell through, and he's told us that he and his family have been severely affected by this.

Mr I said that Lloyds had now accepted that it was wrong to wait until 2019 to default his current account. He wanted it to pay him very significant compensation, because of how this had affected him.

Lloyds said it accepted that Mr I had asked it to close his accounts in April 2015, and it had acted on his request to close his credit card then. But his current account remained open until October 2019. Lloyds paid Mr I £150 to say sorry, and it refunded all the fees charged on his account after April 2015, paying those towards his existing debt. Lloyds said this debt would now show as partially settled, with the default date changed to 12 August 2015.

Lloyds' statements show that Mr I was still using this account in 2015, and his salary was being paid into it. Since then, the account has been very little used, but Mr I has made payments towards the debt. Lloyds' notes show it spoke to Mr I in late 2018, and he was aware then that this account hadn't been defaulted. It's also shown us letters it sent to Mr I in 2019, which told him this account was defaulting. When Mr I complained, he said he remembered getting these letters, but couldn't remember when they were.

Our investigator thought Lloyds should pay a little more compensation. She set out that Mr I had discussed this debt with Lloyds much more recently than 2015, but also said that she did think Lloyds should have backdated this default to August 2015.

Our investigator said that Mr I had partially settled the debt in early 2021. But he wanted his credit file to show this as settled in full. Our investigator said banks are required to report accurate information to credit reference agencies, and Mr I's credit file accurately showed this debt as partially settled. She wouldn't ask Lloyds to change this.

Our investigator said that she didn't have anything directly from the lenders that the broker had approached, to confirm that the recent default was the sole reason they declined to lend. She noted that Mr I had six other defaults, and an arrangement to pay, in place at the time. So she couldn't be sure the outcome would have been different for him if the Lloyds default had been dated 2015, not 2019.

But our investigator did say that there was no doubt the delay in reporting the default had caused Mr I a lot of stress and inconvenience. So she recommended Lloyds pay an additional £100, on top of the £150 it had already paid.

Mr I didn't agree. He didn't think the compensation reflected the great pain, loss and suffering he'd experienced because of what Lloyds did. Mr I said the only reason he didn't get a competitive mortgage offer in 2020 was because this default, and he sent further evidence which he said showed this.

Mr I said that it was common knowledge that most lenders will consider making an offer to borrowers who haven't had a default in the last two years. And he said that as soon as the default date was changed, he received a number of offers.

Mr I said we also hadn't considered that soaring house prices, with a local increase of around 12%, meant that he would now have to pay much more to buy a property. He didn't think total compensation of £250 was enough to deter Lloyds from doing this again in future.

Our investigator didn't change her mind. Because no agreement was reached, this case was passed to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it, but only in part. This is what I said then:

> Mr I's credit file was heavily affected by his sudden loss of income, when his employer's business collapsed. I would expect that this must have been a very difficult time for Mr I, to lose his income and be unable to pay his debts, through no fault of his own.
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> This meant that, when he applied for a mortgage, his credit file showed a large number of defaults. I understand he also had an existing arrangement to pay off an outstanding debt. Most of these defaults were in 2015 and 2016, but one, from Lloyds, was much more recent.
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> Mr I hasn't been clear about whether he was aware or not that one of these defaults was much more recent than the rest. For a number of reasons, including that Mr I spoke to Lloyds about this in 2018, and because he told Lloyds that he did get correspondence from it about his debt, I think that Mr I ought to have been aware that one of these defaults had only been recorded much more recently than the rest.
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> Given this, and indeed the overall position of Mr I's credit file, I think that it would have been prudent for Mr I to seek advice from a mortgage broker, to see whether he would be able to get a mortgage, and if so, what the rates might be. I don't think it's Lloyds' responsibility that Mr I paid a holding deposit for a property, apparently before he did this.
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> When Mr I approached a broker, he was told that the default with Lloyds was the biggest problem on his credit file. So he raised this with Lloyds, and Lloyds acted to backdate this default. I think that this was an appropriate step for Lloyds to take at the time.
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> I agree with Lloyds that it would have been appropriate for it to default this account at the same time as it defaulted Mr I's credit card, and when other defaults were

applied. Although I also note that as late as 2018, Mr I was asking Lloyds not to take this step.

Mr I said that this has had a very severe impact on him, and on his family. He said that his wife didn't believe that this default had simply been applied four years too late. But at the time when Mr I told us this, he'd already received a letter from Lloyds confirming that this default was, indeed, recorded too late, and it would backdate it. I don't think it's Lloyds' fault if Mr I's partner doesn't accept this.

Mr I also told us that house prices had risen substantially in the area where he lives, and suggested that he would need to pay around 12% more for a property now. The offer details he has sent us suggest that the house he's purchasing now actually costs slightly less than the one he was first intending to purchase, so it doesn't look like Mr I is facing higher than expected mortgage costs. I understand that he and his family may well have preferred the first property that he considered, but I've explained that I do think he knew, or should have known, about the position of his credit file then.

I do think it's quite likely that this 2019 default affected Mr I's ability to purchase his preferred home. But, because Mr I was aware of the overall position of his credit file, I don't think that it's Lloyds' fault, that Mr I didn't take advice on what mortgage he could achieve, before he tried to arrange a purchase.

I can see that Mr I has had to contact Lloyds regularly, since 2015, to make arrangements to pay towards his debt. He's had to make small payments to this debt, at a time when he was trying to get back onto his feet. And more recently, he's also had the trouble of getting it to agree to backdate this default.

I haven't been able to see clear evidence that the recent impact on Mr I and his family is quite as significant as he suggested. But because I think that Mr I's default should really have been registered in 2015, and this has affected him over a longer period of time than our investigator allowed for, I think that Lloyds should pay a little more compensation than it offered. I think Lloyds should pay an additional £350, to take the total amount of compensation in this case up to £500.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both parties replied.

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.

Lloyds said it had seen my provisional decision proposing an increase in compensation, and having considered this internally, it thought that proposal was fair, so it would accept it.

Mr I replied to say he'd received my provisional decision, and didn't have anything to add.

I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Lloyds Bank PLC must pay Mr I £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 3 December 2021.

Esther Absalom-Gough
Ombudsman