

The complaint

Ms G complains that The Royal Bank of Scotland Plc (RBS) reported a default on her credit file many years after it should have done.

What happened

Ms G had a loan with RBS. She experienced financial difficulties and her account was transferred to RBS' recoveries team in March 2009. Ms G accepts that her credit file would have been affected at that time and says that any default should have been applied then and then removed after six years. However, a default was applied in 2018 which Ms G says caused her extreme distress and affected her mental and financial health. She says the default being applied meant she couldn't access lower rate credit and was trapped paying a high rate mortgage. She says she was advised not to apply for further credit as she would be declined due to the default. Ms G says she made several attempts to have the default removed but her complaints weren't properly considered, and she kept being told that the information had been recorded correctly.

RBS said that a default wouldn't have been applied when it accepted her Common Financial Statement offer unless the arrangement was suspended. It says that the arrangement was suspended in May 2010 and that the account should have been defaulted at that point. Had this happened the default would have been removed in 2016. It accepted that the default being applied in 2018 was a mistake and said that it would take action to remove Ms G's account from being reported to the credit reference agencies and sent her a cheque of £350 for the distress and inconvenience she had experienced. It said if there was further impact caused solely by this issue she should provide evidence of this and it could be considered further.

Our investigator upheld this complaint. She noted the actions RBS had taken to remove the account from Ms G's credit file and to pay her £350 but thought that a further £350 compensation should be paid.

RBS agreed with our investigator's view.

Mrs G didn't accept our investigator's view. She said that her disputes and attempts to put things right were ignored over an extended period. She said she was given advice not to apply for further credit as the default would exclude her from reasonably priced mortgage products. She says that the misreporting from 2018 to 2021 caused her to be trapped in a high rate mortgage and caused her a great deal of suffering.

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 am sorry to hear about the distressing time Ms G has experienced. I appreciate how difficult it will have been for her to deal with the issue of the default being applied after the period of financial difficulties she had previously experienced.

My role is to consider each complaint based on its individual merits and where a mistake has been made ensure that the consumer is put back in the position they would have been had the mistake not been made and, where appropriate, award compensation. In this case RBS has accepted that a mistake was made and that a default should have been applied in 2010 and as such would have been removed from Ms G's credit file in 2016. While not having a default applied to her credit file during this period may have been advantageous to Ms G, I also accept that it was during this period that she was experiencing financial difficulties and her credit file would have reflected this.

However, a default wasn't applied in 2010 and instead was applied years later in 2018. RBS accepted that the default shouldn't have been applied in 2018 and said Ms G's credit file would be amended. This puts her credit file back in the position it would have been had this mistake not been made. However, Ms G has explained that because of the default she was unable to change her mortgage to a lower interest rate and was advised not to apply for other lower rate credit.

This issue has caused Ms G distress and affected her mental health. She has spent time trying to get the default information reconsidered but has felt that her requests have been ignored. I understand that she contacted the credit reference agencies to try to get the issue looked into and feels let down that action wasn't taken at that time. Given the distress and inconvenience I agree that further compensation (additional to the £350 offered by RBS in its final response letter) is required.

Our investigator recommended that a further £350 be paid and RBS agreed to this. I understand that Ms G doesn't feel this is enough. However, I think this is reasonable. I say this because Ms G will have benefitted from not having the default recorded in 2010 although I accept there were other issues affecting her credit file at that time. I also note that when she raised her complaint with RBS in April 2021, it took steps in its final response letter to try to put Ms G back in the position she would have been had the default not been applied in 2018.

Against this Ms G has explained that she was advised not to get further credit following the recording of the default in 2018 which means I do not have evidence that I can use to quantify a financial loss but I accept that Ms G experienced a period of time when she felt unable to access alternative credit that may have reduced her costs and was caused anxiety and stress due to the default.

Overall, based on the reasons set out above, I think that a further £350 is reasonable in this case.

Putting things right

RBS should (additional to its initial cheque for £350 and the removal of the loan from Ms G's credit file), pay Ms G a further £350 for her distress and inconvenience since the default was applied in 2018.

My final decision

My final decision is that I uphold this complaint. The Royal Bank of Scotland Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 11 March 2022.

Jane Archer
Ombudsman