

The complaint

Mrs B complains that Clydesdale Bank Plc trading as Yorkshire Bank (Yorkshire) provided her with poor customer service relating to a personal loan she applied for.

What happened

Mrs B applied for a personal loan with Yorkshire using their online portal on 16 April 2019 and uploaded the requested documents. She says the website indicated that a decision would be made within two working days. Mrs B says that she received an email confirmation of the loan application, but she didn't hear back from Yorkshire.

After a full week had passed, Mrs B telephoned Yorkshire and spoke to their loan department to find out the status of her loan. They informed Mrs B that contrary to what their website showed, they had not received her documents. So Mrs B uploaded the requested information to their online portal again and she says the portal displayed the upload was successful. But Mrs B heard nothing back.

Mrs B contacted Yorkshire again, but she was told that they still hadn't received her uploaded documents. The call handler she spoke to asked if Mrs B could email her documents to Yorkshire, which she did and the call handler confirmed receipt of the email. Mrs B says the call handler promised to expedite the loan application and she should have a response within two days.

After three days of no response from Yorkshire, Mrs B contacted them again. They informed her they would be looking at her application later that day. But as Mrs B didn't hear back from Yorkshire, she contacted them again on 9 May 2019. The call handler Mrs B spoke to informed her that they couldn't take dividend income into consideration for her application, but the call handler didn't realise that Mrs B was a large shareholder in a company and this is how she took her income. Mrs B says upon realising this, the call handler asked her to provide three years of the company accounts, a dividend certificate and dividend amounts.

Mrs B sent all of this extra information the same day as she was needing the money to purchase a car and she had already taken delivery of the car, so she was anxious to progress the application as quickly as possible. The call handler said she would fast track the extra documents to a manager, but because of system failings this would need to be processed manually.

Several days elapsed and emails were exchanged with the previous call handler, but Mrs B did not get an outcome on her loan application, so she contacted Yorkshire again. The call handler she spoke to this time informed her that her original loan application had elapsed, so after a month she was back to where she started. Mrs B did not make a new application.

Mrs B applied for a personal loan with a third party provider, however, they offered her a much higher interest rate, so Mrs B did not progress her application. She was then declined by two other third party personal loan providers.

Mrs B checked her credit file, to find out that Yorkshire had registered two loan applications,

one on 16 April 2019 and one on 10 May 2019. Mrs B says that this would've contributed to the higher interest rate offered by the first company she applied for the personal loan with after Yorkshire and then impacted her application with the other two providers, due to the multiple recordings by then on her credit file.

Mrs B contacted Yorkshire who admitted they made a mistake and would remove one of the applications from her credit file. She says that Yorkshire promised her it would be removed within five days, but it wasn't, so Mrs B contacted them again to request the application was removed as a matter of urgency. Mrs B made a complaint to Yorkshire about the events which occurred since applying for the personal loan.

Yorkshire upheld Mrs B's complaint. They apologised for the issues she had with the online portal and for the delays with her loan application. They also apologised for not giving her a call back, the service which she received from the call handler who didn't apologise and the additional loan application showing on her credit file. Yorkshire also said they should've informed her sooner that they would require three years of her accounts. Yorkshire sent Mrs B a cheque for £200 to reflect the poor service she received.

Mrs B did not accept the compensation and brought her complaint to our service. Our investigator upheld her complaint and he said that Mrs B was caused significant inconvenience over a period of several weeks. He also said that when Mrs B was informed the application had lapsed, this would've caused her distress and further inconvenience, particularly since Mrs B was only made aware of the lapse when she chased Yorkshire about the application. He said that Yorkshire should increase their compensation from £200 to £300.

Our investigator said that in order for him to hold Yorkshire responsible for the further issues Mrs B had in obtaining credit, he would have to be satisfied Yorkshire Bank's actions were the sole cause of the problem. But this wasn't something he could fairly say, because each financial business has their own criteria for approving or declining loan applications, and there are many factors that are taken into account during an application. And although Yorkshire Bank did cause an application to lapse and placed two credit markers on Mrs B's credit report, it didn't automatically follow that this was the reason why the other lenders made the decisions they did.

Yorkshire agreed with our investigators view to give Mrs B £300, but Mrs B did not agree with our investigator and she said she would not accept less than £1,000 compensation. She asked for an Ombudsman to review her complaint. She made a number of points, In summary she said it was not just the second credit search which Yorkshire carried out without her authorisation that she found particularly distressing, but also the whole manner in which Yorkshire conducted themselves, to be able to say one thing, but to do another thing and putting no effort in to correct the problems they created.

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.

Mrs B has made a number of points to this service and I've considered and read everything she's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of her complaint in deciding what's fair and reasonable here.

It's clear to me that Yorkshire have let Mrs B down on a number of occasions – which they have admitted to doing. So I can understand the strength of feeling that Mrs B has about what has happened here. Not only was she not updated with the progress of her application,

which was time critical for her, she had to take a lot of her time to constantly chase up matters, only to find out that she needed extra documents that she was not asked for as part of her application.

While a business is entitled to ask for further information to support a loan application, Mrs B was only asked for the further information weeks after she applied for the loan. And then, the call handler misunderstood Mrs B's role in the company. This was compounded with the delays in processing her application, which ultimately caused it to lapse – despite Mrs B being promised the application would be expedited and fast tracked on more than one occasion.

She was then told by a call handler that he could make a new application for her and was informed for the first time that her application had lapsed. I'm persuaded that this would have been distressing for Mrs B to hear – especially considering the lengths she had gone to, to progress her application.

To find out by checking her credit file that Yorkshire had registered another application with a Credit Reference Agency would also be distressing, especially as she did not give her consent to this. While I'm not persuaded that this would be the sole reason why a third party company increased an advertised interest rate as a result of an application made by Mrs B, or why two other companies declined her application, the fact remains, that a second search should not have been registered with the Credit Reference Agencies.

So while I can't hold Yorkshire responsible for third parties loan criteria, when I'm satisfied applications showing elsewhere wouldn't be the sole reason for the outcome of an application, there's no doubt that Yorkshire should have acted quicker to remove the unauthorised application from her credit file after she highlighted this to them.

I say this as Mrs B has told us the second application was showing on her credit file dated 10 May 2019, but it was several weeks before this was removed. Our investigator has explained to Mrs B that he had sight of internal communications from Yorkshire in late July 2019, with them requesting the second application to be removed from Mrs B's credit file, but Mrs B says she informed the call handler of this in May, and was told it would take five days to be removed.

So I've considered all of the examples of the poor customer service Mrs B has received in terms of deciding what is a fair and reasonable level of compensation. And I agree with our investigator that £200 does not reflect the impact of the mistakes which Yorkshire made.

But despite Mrs B telling us the impact all of these errors have had on her, I'm not persuaded that £1,000 compensation is reasonable either. That's not to suggest I don't understand the distress and inconvenience the poor customer service had on Mrs B – far from it. But I say this because compensation is a discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines.

So I'm satisfied that £300 is fair compensation. I'm persuaded that this amount represents the impact of the poor customer service Mrs B had including Yorkshire registering a second application on her credit file, the time taken for them to remove this and the general service issues I've detailed above. So it follows I'll be asking Yorkshire to put things right for Mrs B.

Putting things right

Our investigator has suggested that £300 compensation is fair in the circumstances and I agree that this is a reasonable amount for the multiple examples of poor customer service.

My final decision

I uphold the complaint. Clydesdale Bank Plc trading as Yorkshire Bank should pay Mrs B £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 3 June 2022.

Gregory Sloanes
Ombudsman