

The complaint

Mr H complains about a default that Retail Money Market Ltd trading as RateSetter (RateSetter) have placed on his credit file for non-payment of a loan.

What happened

In August 2018 following a house sale, Mr H says he contacted RateSetter to confirm the settlement figure to repay the loan amount in full. It was confirmed that the online settlement figure was correct, and no additional charges would be incurred due to early repayment. Mr H paid the loan in full on 17 August 2018.

Mr H applied for a mortgage in February 2021, and during this process was told there was a default on his credit file relating to the RateSetter loan. When querying this with RateSetter they explained the outstanding amount of £545 was owed due to a system error. They said they'd made numerous attempts over several months to prompt Mr H to contact them about the loan arrears without success. RateSetter said they emailed, text, called and sent letters, but as Mr H didn't respond the account was defaulted in December 2018 and Mr H's credit file was updated to reflect this.

Mr H complained to RateSetter as he says he never updated his address with them when he moved, as he didn't feel the need to as the loan was fully repaid. So, he never would have received the letters RateSetter sent. Mr H doesn't dispute receiving emails or text messages but he thought they were promotional offers, and so he deleted them.

RateSetter partially upheld Mr H's complaint due to the system not calculating his payment correctly. They offered Mr H a reduction of 20% of the settlement figure, but they weren't willing to remove the default as they felt this had been applied correctly.

Mr H didn't accept RateSetter's offer. He was willing to pay the outstanding arrears, but he felt the default had been applied unfairly and needed to be removed. One of our investigators considered Mr H's complaint, and concluded RateSetter had applied the default correctly, as they'd also left Mr H voicemails which specifically explained they needed Mr H to call them. But the investigator didn't think RateSetter went far enough in compensating Mr H for the trouble and upset caused – so he recommended RateSetter increase the discount off the outstanding arrears to £200.

Neither RateSetter nor Mr H agreed with the outcome. RateSetter felt the 20% discount they'd already applied was fair, and Mr H commented that his mobile doesn't and hasn't ever had a voicemail facility. So, the case has been passed to me to consider.

I issued my provisional findings on 11 February 2022. This is what I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's not in dispute that there was a system error caused by RateSetter which meant Mr H fell into arrears. Mr H also doesn't dispute that he's liable for the repayment of the arrears. What I

need to consider is the action RateSetter took to rectify the error, and whether they acted fairly in applying the default to Mr H's credit file.

RateSetter say they sent letters, emails and text messages and made calls to Mr H as well as leaving voicemails, trying to prompt him to make contact with them about the arrears, prior to applying a default to his account.

Letters

Mr H says when he moved home, he didn't update RateSetter with his new address details as he didn't feel this was needed as he was under the impression he'd repaid the loan in full. He had no need for RateSetter to send him letters, as the relationship with them had terminated. I think it's fair to say Mr H can't be held responsible for not replying to the letters RateSetter sent.

Calls and voicemails

I've asked RateSetter for copies of the calls and voicemails they say they left for Mr H. But due to the amount of time that's passed, they say they don't have copies of these anymore. So, I can't say for certain what was said on the calls or what messages were left requesting Mr H to call them about the outstanding arrears. Mr H also says he doesn't and hasn't ever had a voicemail facility on his phone. Therefore, I'm not persuaded that RateSetter can rely on the fact that they say they called and left voicemails for Mr H to contact them, as justification for the default.

Texts and emails

Mr H settled the loan in August 2018. RateSetter first contacted Mr H about the outstanding amount by text and email in December 2018, and I can confirm the mobile number and email address they used was the same as the one we have on file for Mr H. I've seen the texts and emails, and the content and purpose of the texts and emails were clear – that he needed to contact them as a matter of urgency about the loan. Therefore, I would have expected this to have prompted Mr H to contact RateSetter to discuss his account as they requested.

Mr H didn't contact RateSetter, despite all their efforts and therefore the account was defaulted. I'm satisfied RateSetter did all they could based on the contact information they had, to make Mr H aware there was a problem with the loan account, and for Mr H to have acted on this. Therefore, I'm satisfied the default has been applied correctly and fairly. RateSetter, as a responsible lender, has a duty to ensure they report accurate information to credit reference agencies. So, it would be unreasonable to ask them to remove information that was applied correctly and information they had a duty to report.

However, I do think Mr H has suffered a level of inconvenience because of the RateSetter system error. Once Mr H had settled the loan in August 2018, he was under the impression that the debt had been repaid in full. It wasn't until RateSetter first chased Mr H for the outstanding debt by text and email in December 2018, that Mr H was reasonably made aware that there was an outstanding amount on the loan that needed to be paid – and Mr H should have acted on this information.

But as well as getting an online settlement figure, Mr H also says he called RateSetter to confirm the online settlement figure was correct and that no early repayment fees or charges would be incurred. RateSetter say they don't have any record of Mr H calling them to check the settlement figure, but I have no reason to doubt what Mr H says. So, I think it's reasonable for Mr H to have relied on the settlement figure he obtained to be true and accurate.

While I agree that RateSetter applied the default fairly, I don't think they took steps to put things right as quickly as they could have. It wasn't until four months after Mr H was under the impression he'd settled the loan that RateSetter first contacted him about the arrears. This would have caused Mr H some distress that he wasn't made aware sooner, and then had to find the funds to clear the arrears at short notice. So, to compensate Mr H for the upset caused in RateSetter not acting to put things right sooner, I think RateSetter should pay Mr H £100 compensation for the upset caused, in addition to the 20% reduction of the arrears amount they have already offered."

RateSetter and Mr W had until 25 February to give me any further comments to consider. Mr H didn't respond. RateSetter responded and provided a copy of a voicemail recording they say they left Mr H about the arrears balance. RateSetter also explained that after Mr H settled the loan on 17 August 2018, they weren't notified that the monthly direct debit for August failed until 20 August 2018. So, the August arrears wasn't included in the settlement figure.

RateSetter said they text and emailed Mr H on 20 August 2018 to make him aware of the arrears. And this showed their communication with Mr H wasn't delayed. They also said that December 2018 wasn't the first time they'd made contact with him about the outstanding amount.

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've looked at the information RateSetter have given me following my provisional findings, but it doesn't change my decision. I'll explain why.

The recording provided by RateSetter (sent following my provisional findings) evidencing the voicemail they left Mr H does add weight to their argument that they made numerous attempts to get Mr H to contact them about the arrears. But as I've already made a finding that Mr H should have acted on the attempts RateSetter made to get him to contact them about the arrears sooner - this doesn't change my decision.

As I said in my provisional findings, RateSetter haven't shown me that they made any attempt to contact Mr H about the outstanding settlement balance until December 2018. I note RateSetter say they contacted Mr H by email and text about the arrears as soon as they became aware of the outstanding arrears on 20 August 2018. However, I've considered how close in proximity this date is to when Mr H settled the loan on 17 August 2018. So, it's not unreasonable for Mr H to have assumed the contact from RateSetter was a crossover of communication, and was in relation to the settlement balance, which he believed he'd settled in full three days before.

I'm persuaded that the first time Mr H would have been aware there was a problem with the settlement was when RateSetter made contact in December 2018. And given the fact RateSetter, by their own admission, were aware in August 2018, I think they could have done more to contact Mr H about the arrears sooner.

With this in mind, for the reasons I've explained, my final decision remains the same as my provisional decision.

Retail Money Market Ltd trading as RateSetter should pay Mr H £100 compensation for the inconvenience caused and honour the 20% reduction of the arrears balance.

My final decision

My final decision is that I'm upholding this complaint. I require Retail Money Market Ltd trading as RateSetter to pay Mr H £100 compensation for the inconvenience caused and honour the 20% reduction of the arrears balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 April 2022.

Helen Giles
Ombudsman