

The complaint

Mrs H complains that Ald Automotive Limited (AA) is reporting incorrect information on her credit file.

What happened

In November 2017 Mrs H was supplied with a car and entered into a hire agreement with AA. In early 2019 her personal circumstances changed, and she was unable to make payments under the agreement. AA advised Mrs H that she could return the car and end the agreement early. Mrs H had concerns that this would affect her credit file, but AA assured her that her credit file wouldn't be affected. Mrs H returned the car and agreed to make repayments of £10 per month to pay off the balance. When Mrs H checked her credit file in August 2019, she noticed that AA had reported adverse information. She complained, but AA said the balance was being correctly reported. After this service had investigated, AA changed its position and said it accepted that it had been incorrectly reporting on Mrs H's credit file. It offered £500 compensation for its error. Mrs H wasn't happy with the offer. She said she'd suffered financial losses as a result of the incorrect reporting.

I issued a provisional decision on the complaint. I looked at the impact of AA's error and took into account what Mrs H had said about being unable to obtain a mortgage to purchase a property. I said there wasn't enough evidence to show that the reason for the mortgage being declined was solely due to incorrect reporting by AA.

I explained that I was persuaded that the incorrect reporting had impacted on Mrs H's health and that I didn't think the offer of £500 was fair. I said the offer should be increased to £1000.

I invited both parties to let me have any further evidence or arguments they wished me to consider.

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 H responded to my provisional decision and said she was still in dispute with AA about the balance due under the agreement. She said that although she knew there would be an amount to pay when she returned the car early, she hadn't realised how much this would be. She said she wanted the £1000 paid directly to her. She also wanted to know whether her credit file would be updated, and the adverse information removed.

Mrs H also explained that she was experiencing difficulties in getting a response from AA having completed an income and expenditure form in October 2021. She said that no further payments of £10 per month had been collected but she was receiving debt collection letters.

AA responded to my provisional decision and asked whether Mrs H wanted her compensation paid directly to her or removed from the arrears on her account.

Putting things right

I've taken into account what both parties have said. I remain of the view that £1000 is a fair and reasonable amount for AA to pay to Mrs H as compensation for the incorrect reporting on her credit file.

In relation to Mrs H's credit file, I think it's fair to ask AA to remove the late payment markers and/or any default which were recorded as a result of Mrs H's arrangement to pay £10 per month. However, it's clear from what both parties have said that there's an outstanding balance under the agreement, so it's fair that AA report the balance, even if this balance is disputed by Mrs H.

Finally, I think AA should make contact with Mrs H to set up a new payment arrangement for the outstanding balance, based on what is affordable having taken her income and expenditure into account.

My final decision

My final decision is that I uphold the complaint. Ald Automotive Limited must pay compensation of £1000 directly to Mrs H for the trouble and upset caused by the incorrect reporting on her credit file. It must also contact Mrs H to set up an affordable payment arrangement for the outstanding balance, taking into account her income and expenditure. Ald Automotive Limited must remove any late payment markers and/or defaults from Mrs H's credit file relating to the previous payment arrangement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 4 April 2022.

Emma Davy
Ombudsman