

The complaint

Mr C complains that TSB Bank plc (“TSB”) reported incorrect information about his account to the Credit Reference Agencies which affected his ability to secure further borrowing.

What happened

In 2018, Mr C made a purchase using his TSB credit card. He wasn't happy with the quality of the item he bought, but the retailer wouldn't give him a refund. So Mr C raised a dispute through TSB. TSB recorded a query against his account with the Credit Reference Agencies at the time. Mr C says that, in 2020, he noticed that the query was still being reported, so he asked TSB to amend it. He says that TSB said it would update his credit file.

In January 2021, Mr C wanted to borrow funds to buy an additional property. He says his application for borrowing was declined by a mainstream lender because of adverse information on his credit file. He says his TSB credit card was the issue, as the query was still being reported. As a result, he says he had to use a specialist lender and re-mortgage his property, instead of taking a further advance. He says this meant he had to pay an early redemption fee of around £2,800. He says that the interest rate on the new mortgage is higher, and that he's paying a higher rate on the additional mortgage too. He says the associated fees were also higher than they would have been if his credit file hadn't been impacted.

When Mr C complained to TSB, it upheld the complaint in part. It accepted that the query flag should have been removed from his credit file in 2018. It paid him £200 for distress and inconvenience. But TSB didn't think that the flag on his credit file had affected his ability to re-mortgage or impacted his mortgage interest rate. It said the flag simply identified the account as being under review and wasn't adverse information.

Mr C wasn't happy with TSB's response and brought the complaint to this service. He told us that the query was still being reported on his credit file in late 2021, despite TSB's Final Response Letter saying that it had been removed in May 2021. TSB confirmed that the query was removed for the period from May 2018 to May 2021. But it said the query was reported again from June to September 2021. TSB said that this was corrected in October 2021, and the account status has been recorded correctly from then onwards. It said it would arrange to update the account status for June to September 2021. But it didn't think any further compensation was due to Mr C as it said the reporting of the query marker for that four-month period didn't have any adverse effect on his credit file.

I issued a provisional decision on 7 March 2022. Both parties have received the provisional decision but neither party has made any further comments about the complaint.

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 haven't seen anything which changes my mind about the appropriate outcome here. So I'm going to uphold this complaint in the way I indicated in my provisional decision. My reasons are set out below.

I think it was reasonable for TSB to record a query marker on Mr C's account while a transaction was being disputed. I think that was a fair reflection of the status of his account at that time. But TSB should have stopped reporting the query marker as soon as the dispute was resolved, in 2018. TSB accepts this, so I'll focus on the impact which the incorrect reporting had.

Mr C says that the query marker meant he wasn't able to take a further advance on his mortgage and instead had to re-mortgage and take an additional mortgage, both at higher interest rates. The evidence I've seen from Mr C's broker confirms that his application was declined due to "*adverse bureau information*". This does suggest that the lender's decision was based on information obtained from the Credit Reference Agencies. Mr C's credit report shows him to have an "*excellent*" rating and TSB said in its letter to him of 14 May 2021 that it couldn't see any adverse information on his credit report. Mr C says that the query marker was the only negative piece of information on his credit file, so it must be the reason his application was declined.

Nationwide says that a query has no detrimental impact on a customer's credit score. But, even if the score isn't affected, I don't think it necessarily means that a query couldn't be viewed negatively by lenders. Mr C's account had been showing as under query for nearly three years by the time he applied for the mortgage. His credit score remained high, but that didn't mean the lender was happy to extend further credit. I think it's possible that the length of time the query was in place could have meant it was viewed differently from an ordinary query, which I'd normally expect to be in place for a few months at most.

But, from what I've seen, I can't fairly conclude that the application was declined because of the query. That's because, when lenders are considering applications for borrowing, they take many factors into account. There could be good reasons why someone with an excellent credit score might be turned down for further lending. The information I've seen about the application isn't specific about the reason it was declined and there could have been several reasons.

I note that the Decision in Principle document provided by Mr C invited him to discuss the decision further. Mr C's broker attributed the decision to the TSB account, but I haven't seen any evidence that the broker discussed the situation with the lender to find out for certain what the issue was before pursuing other avenues.

Knowing that the query shouldn't have been on his credit file, I think it would have been reasonable for Mr C to have pursued this with TSB at the time and either tried to get it corrected or asked TSB to explain it to the lender, before pursuing less favourable borrowing options. But I can't see that TSB had the opportunity to correct the situation until after Mr C had committed to the re-mortgage and additional mortgage. Mr C made his mortgage application in January 2021, but I understand that he didn't raise a complaint with TSB until April 2021.

For the reasons above, I'm not going to ask TSB to pay the early redemption fee which Mr C incurred or the additional interest which he says he's having to pay on his new mortgage arrangements.

But I think it's right that TSB should compensate Mr C for the mistake it made by continuing to report the query after the dispute had been resolved. TSB accepted in May 2021 that this was a mistake and paid Mr C £200 as compensation for the distress and inconvenience he

experienced. I think that was fair at the time.

But, despite TSB confirming in its Final Response Letter that the query flag had been removed, it has since come to light that it was reported again from June to September 2021. From what I've seen, I'm satisfied that in June 2021, the query marker was removed from Mr C's credit file for the period from May 2018 to May 2021. I haven't seen anything which explains why it was reported again from June to September 2021 and TSB accepts it was a mistake. It says it will correct this. But I think it needs to pay Mr C some further compensation as well.

TSB's Final Response Letter said it would check again in a month's time to ensure there was no further incorrect reporting. I haven't seen any evidence that this happened. If it had, TSB would have noticed that the query was being reported again from June 2021. I can understand how frustrating it must have been for Mr C to discover once again that an issue from 2018 still hadn't been fully resolved by late 2021, despite TSB telling him it had been sorted out. Once again, he had to contact TSB, at inconvenience to himself. In the circumstances, I think TSB should pay Mr C a further £100.

My final decision

For the reasons above, I uphold this complaint. TSB Bank plc should:

- ask the Credit Reference Agencies to remove the query marker from Mr C's credit file for the period from June to September 2021;
- ensure that no further query markers are reported; and
- pay Mr C further compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 May 2022.

Katy Kidd
Ombudsman