

The complaint

Mrs B complains Lloyds Bank plc (Lloyds) have placed an adverse marker on her credit file, which has led to difficulties in her obtaining finance elsewhere.

What happened

Mrs B says in March 2021 she applied via her banking app, for a payment holiday on her credit card account with Lloyds, as Covid had affected her financial situation. Mrs B says instead of providing a one-month period of breathing space for her, Lloyds marked a three-month payment holiday. Mrs B says Lloyds then registered this arrangement on her credit file, which she says has led to her not being able to secure preferential credit terms for car finance, and subsequently resulted in her mortgage application being declined.

Mrs B says she wants Lloyds to remove the markers on her credit file and to compensate her for the trouble and upset caused.

Lloyds says the payment holiday was correctly set up and Mrs B was made aware of the impact on her credit file. Lloyds say it has correctly recorded the arrangement on Mrs B's credit file and do not feel it has made an error here.

The investigator looked at all the information available but didn't uphold the complaint. He felt Lloyds correctly set up a payment holiday and it acted fairly when it registered the information about this, on Mrs B's credit file, as she had been informed that would happen.

Mrs B disagreed with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

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

Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I was sorry to hear of the issues surrounding Mrs B's health and I can see this must be a difficult for time for her. I can also understand it would have been upsetting for her to discover a marker had been placed on her credit file, which she believes has caused her issues in obtaining credit elsewhere.

When looking at this case, I will consider if Lloyds correctly set up the payment holiday arrangements on Mrs B's credit card account as she requested, and if they were at fault in registering such an arrangement on Mrs B's credit file.

The first thing to say here is when making a full and impartial decision, I have to take into account the fact this happened during the Covid pandemic which affected both businesses and customers alike.

As part of our investigation this service has been provided with numerous telephone call recordings and while these have been helpful, I won't be commenting on each call individually, that's not to say I haven't listened to those calls – I have, but I don't think it's necessary in order to come to a full and impartial decision here.

Mrs B's complaint centres around the fact that she only wanted Lloyds to give her some breathing space, given the impact Covid had on her family's income and not formally mark a three-month payment plan holiday on her credit card account. Mrs B believes as a result of this, Lloyds adversely placed a marker on her credit file which has led to her not being able to take a more beneficial car finance deal, and more recently the cause of her mortgage application being declined.

It's worth mentioning that consumers could continue to apply for Covid support until 31 March 2021, under the guidance provided to lenders from the Financial Conduct Authority (FCA).

Having reviewed the case notes and listened to various telephone call recordings, it's clear in late March 2021, Mrs B discusses a payment holiday request as a result of the impact of Covid on the family finances. Mrs B then goes on to make the point to Lloyds she originally applied for this online, but it hadn't been confirmed to her. I have seen a letter from Lloyds dated 29 March 2021, addressed to Mrs B confirming the arrangement on her credit card account for up to three months. So, although Mrs B says she applied via her banking app for a temporary one month breathing space, I have seen no evidence to support that and the letter is quite clear that a three-month payment holiday had been agreed. With that in mind I am satisfied Lloyds have provided Mrs B with the payment holiday she requested, and this is confirmed in various telephone calls, when Mrs B refers to a payment holiday.

In early April 2021 Mrs B telephones Lloyds again and is transferred to its financial assistance team where all of her bank and credit card accounts are discussed. In that call Mrs B specifically asks about the impact any arrangement may have on her credit file and the advisor from Lloyds initially confirms that provided Mrs B kept within her credit limit, her credit file wouldn't be affected. On listening to this telephone call, it doesn't appear the advisor was aware that Lloyds had already sent a letter on 29 March 2021 to Mrs B, regarding her credit card account and that a three-month Covid payment holiday had already been agreed. This letter confirmed Mrs B's credit file wouldn't be affected by it. The letter stated : "Taking a payment holiday won't directly affect your credit score, as it won't show as you having missed payments on your credit card during this time."

Lloyds during the course of this investigation have advised there were no file notes regarding this agreement in late March 2021, but agree the letter it issued on 29 March 2021 does look to be a Covid payment holiday plan and that Mrs B hadn't previously applied for any Covid support. So, it's reasonable to say Mrs B was eligible for Covid support at that time, in line with the guidance given to banks by the FCA.

Looking at the timing here it's reasonable to suggest, in all probability the letter dated 29 March 2021 hadn't been received when Mrs B called Lloyds again in early April 2021. This might have led to some of the confusion here, as Mrs B had queried why the previous arrangements she had discussed in her telephone call of 25 March 2021, hadn't been put in place.

During the same telephone call in early April 2021, the advisor informs Mrs B that a payment plan arrangement will be seen on her credit file, contradicting his earlier comment that this wouldn't happen if she kept within her credit limit. From the information I have seen, Mrs B's credit card borrowing was within the agreed limit at the time she called and as the card was blocked for the three-month period subsequently agreed with her, Mrs B stayed within her

credit limit.

It's also fair to say having listened to the telephone call in early April 2021, it's not entirely clear if Mrs B understood, what had been now agreed at that time, as the latter plan meant her credit file would now show a payment arrangement marker.

While I can see a letter was sent to Mrs B following up the call on 2 April 2021 it's reasonable to assume this would have been received around the same time as the Covid payment holiday letter dated a few days earlier, adding to what was an already confused picture here. What is fair to say is this would have been confusing for Mrs B, and while perhaps she could have done more to establish what had been agreed with Lloyds, I take the view Lloyds should have known it had previously agreed a suitable Covid payment plan with Mrs B when she rang in early April 2021.

I can see Lloyds have provided forbearance to Mrs B when she needed its support, and I also accept the marker on Mrs B's credit file was simply notice that a payment arrangement had been agreed and wasn't recording a missed payment. Nevertheless, it's fair to say given the request from Mrs B was as a direct result of Covid affecting her finances, the initial Covid payment holiday plan agreed by Lloyds in their letter dated 29 March 2021, was in hindsight more appropriate here. I say this as although it's possible the advisor at Lloyds in early April 2021 may not have seen the letter dated 29 March 2021, it doesn't alter the fact the new arrangement agreed, albeit under the best intentions of Lloyds to assist Mrs B, meant her credit file would be adversely affected, which right from the start was something Mrs B was trying to avoid.

It's fair to say, had the Covid holiday plan remained in place it would have meant Lloyds would have been entitled to continue to charge interest on Mrs B's credit card account. But on balance and given the choice I'm satisfied Mrs B would in all likelihood, have chosen the Covid payment plan option, rather than having her credit file marked, given how important that was to her.

Mrs B says as a result of these markers on her credit file, it weakened her credit score and resulted in her not being able to obtain preferential credit terms elsewhere, and more recently it is the reason for her mortgage application being declined. While I understand the points Mrs B makes here, I can't say that an arrangement to pay marker, would have been the sole reason why her mortgage application was declined or that her car finance wasn't approved at a more beneficial interest rate. I say this because lenders will consider various lending criteria, not simply a credit score, before approving any finance terms.

That's not to say Mrs B hasn't been inconvenienced here - she has, but I also need to consider when deciding what's fair and reasonable here that Lloyds didn't charge Mrs B any interest on her credit card account during the payment holiday plan period, which wouldn't have been the case for a Covid payment holiday plan. With that in mind, I propose Lloyds simply remove the payment arrangement markers placed against Mrs B's credit file relating to her credit card account for April 2021, May 2021 and June 2021.

While Lloyds will be disappointed with my decision, I am satisfied this is a fair outcome here.

Both Mrs B and Lloyds responded to my provisional decision, so the case has been passed back to me to make a final decision.

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 gave both Mrs B and Lloyds until 22 April 2022 to accept or reject my provisional decision. Both Lloyds and Mrs B have accepted my provisional decision, although Mrs B felt she should be paid compensation for the trouble and upset she has gone through.

While I understand the point Mrs B makes, as I said in my provisional decision Lloyds did provide support and forbearance to her at the time. Although a payment arrangement marker was placed on her credit file, for the reasons I have already given I'm not persuaded this alone would have been the reason for Mrs B having credit facilities refused. I have also taken into account that Mrs B didn't pay any interest on her credit card account during the payment holiday period, which wouldn't have been the case if a Covid payment holiday had been put in place.

So with all that in mind, I don't feel further compensation is warranted here. I can't say this changes my original provisional decision and see no need to change or add to this, and so my final decision remains the same.

Putting things right

I instruct Lloyds Bank plc to remove the payment arrangement markers placed against Mrs B's credit file relating to her credit card account for April 2021, May 2021 and June 2021.

My final decision

My final decision is that I uphold this complaint.

I instruct Lloyds Bank plc to remove the payment arrangement markers placed against Mrs B's credit file relating to her credit card account for April 2021, May 2021 and June 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 23 May 2022.

Barry White
Ombudsman