

The complaint

Mrs B complains JAJA FINANCE LTD (JAJA) incorrectly recorded a default against her credit card account.

Mrs B is represented by Mr B, for ease I've referred to statements made by Mr B as being made by Mrs B.

What happened

Mrs B had a credit card account with JAJA. She asked it to close the account, however it wasn't closed because of an outstanding balance Mrs B says she was unaware of. JAJA later recorded a default on Mrs B's credit report.

Mrs B says she found out about the default during the application for a further advance on her mortgage with a business, I'll call S. She says S agreed to put the application on hold until the issue with the default had been rectified.

In February 2021, Mrs B phoned JAJA and complained about the default it had recorded against her, she paid the outstanding balance and the account was closed. JAJA accepted there were errors in its handling of Mrs B's account and said it would contact the credit reference agencies to have her records amended.

Around a month later, Mrs B phoned JAJA as she found her records hadn't been updated. It apologised for not contacting the credit reference agencies when it said it would, and it offered her £100 in compensation. The records were subsequently updated, but Mrs B said by this time S changed their requirement, and they declined the further advance on the mortgage.

Mrs B doesn't think £100 is fair compensation and says they had to wait another three months to reapply for the further advance. She says this had a knock-on effect and delayed the extension of their home by around 12 months, and cost approximately 10% more because the cost of materials had also increased. Mrs B also says the situation took a toll on her and her family and caused her to lose out financially.

Our investigator upheld the complaint as he didn't think £100 was fair compensation. He thought JAJA's offer of £100 was fair for the second part of the complaint because it had not updated her records when it said it would. But he didn't think it was enough to compensate for the distress the situation caused Mrs B when she was first informed of the default on her credit file. He said he hadn't seen any evidence of financial loss suffered by Mrs B but thought JAJA should pay a further £100 in compensation.

JAJA accepted our investigator's opinion but Mrs B didn't agree and asked for an ombudsman's decision. She doesn't think £200 is fair compensation and she says:

- upon finding out about the default her and husband spent three months worrying about the impact it would have on their plans.
- They spent days on the phone and many hours since to try to get reasonable and appropriate recompense.

- They are still without the extension to the home as a direct result of the delay caused by the default notice in obtaining the further borrowing approval. As such, they are still making compromises until the extension is done. The extension would have been finished a few months ago and the family could have moved on.
- The compensation does not come close to acknowledging the amount of stress and effort JAJA forced on her and her family.

I gave my provisional decision on 23 May 2022 in which I said:

When things go wrong, we'd expect a business to put it right. JAJA accepts it made mistakes and it has already closed the credit card account and amended Mrs B's credit file. So, what I must decide is whether it's done enough to compensate Mrs B for the impact its errors had on her.

Mrs B has given a detailed account of the distress and inconvenience she faced because of the mistakes made by JAJA, however I haven't detailed it all here. I'd like to reassure Mrs B that I have read and considered everything she and JAJA has said, but I've focused on explaining what is key to the decision I've reached.

I'd also like to reiterate what our investigator said, which is that our role isn't to penalise or punish a business when something has gone wrong. Rather, I must look at the individual case and the impact JAJA's actions had on Mrs B and decide on a fair and reasonable way to resolve things.

Impact on the mortgage application

When mistakes are made by a business, it can have an impact on other areas of the consumer's life. Mrs B says JAJA's errors caused delays to her further advance application. She provided evidence of what her mortgage providers had asked for to complete the application process. It shows Mrs B was asked to resolve the issue of the default and this was one of the last items outstanding.

Before a mortgage is approved many factors are taken into account by the lender, such as employment status, income, and existing borrowing a consumer may have. Different lenders will have specific requirements that need to be met for a mortgage to be approved. I accept that getting JAJA to remove the default was one of the issues that Mrs B needed to resolve for her mortgage application. However, I'm not persuaded that had it not been for the default, Mrs B's further advance would have been approved sooner than it was. I'll explain why. Mrs B says her husband hadn't been working due to the Covid 19 pandemic and he had taken the self-employment income support scheme (SEISS) grant. She says in the time it took to have the default removed from her account, her mortgage providers changed their requirements, and would no longer accept the grant as proof of income. She says had JAJA removed the default when it said it would, she wouldn't have been impacted by the changes to their criteria.

It can be difficult to know exactly what causes an application for borrowing to be declined. We asked S for its comments. It confirmed Mrs B's further advance was declined due to affordability, because it's policy at the time of their original application, meant anyone who had taken the government grant was classed as impacted by the Covid 19 pandemic. And it couldn't use that income in its calculations. Crucially, it also said the change to its policy took place from September 2021 to allow it to consider the income if it had been more than 12 months since the applicant had applied for the grant. Before this time, S wouldn't use this income at all.

Based on this, I'm not satisfied that had the default been removed sooner, their further

borrowing application would have been approved. I understand Mr B received an SEISS payment in April 2021 and I accept that due to the delay in removing the default marker, he had to provide S with updated bank statements which showed he was in receipt of the grant payment, but I don't think that changes things.

As Mr B had received the grant payment on another, earlier occasion, I'm not persuaded, their application would have been accepted even if it had been processed before he received the payment in April. This is because, as above, S's policy prior to September 2021 didn't allow them to consider self-employed income where the grant had been taken.

Given Mr B's income had been impacted by the Covid 19 pandemic, and based on the information from S showing the further advance application was delayed due to affordability issues, not the default, I'm not satisfied the default registered by JAJA was the ultimate cause. I accept it was something Mrs B needed to resolve, but S's policy at the time meant it couldn't accept Mr B's self-employed income in any event. As such, I can't reasonably hold JAJA responsible for delays to their further advance and the subsequent delays to the extension work Mrs B had done to her home.

Financial impact

Mrs B said she experienced other financial losses because of the default marker placed on her account. She explained she was declined a credit card and had to accept a higher interest rate on her existing mortgage. However, Mrs B hasn't been able to provide evidence to show the default caused the higher interest rate or that the credit card application was declined because of it. Based on the information that is available, I'm not persuaded the default was the sole cause of the financial difficulties Mrs B experienced, as other factors could also have contributed to these issues.

Putting things right

Nevertheless, I think it would have been worrying to find out about the default. It will also have been frustrating for Mrs B to discover it hadn't been rectified when JAJA said it would be. Applying for a mortgage or further borrowing can be a stressful process, and I think it was a particularly stressful time for Mrs B. The problems Mrs B encountered with JAJA would have no doubt compounded things, but I can't hold it entirely responsible for the difficulties she faced. JAJA already offered Mrs B £100 in compensation, but I think it should pay an additional £100. I know this will come as a disappointment to Mrs B, but I think it's fair compensation for the inconvenience and stress its mistakes caused.

Mrs B says she spent hours on the phone to have the issue of the default rectified and in trying to get some recompense. Some inconvenience is to be expected as part of the process of making a complaint, so I don't think JAJA need compensate Mrs B for this. However, if Mrs B can provide evidence of the cost, I think JAJA should cover the cost of the telephone calls she made to inform it of its errors and to get the default removed from her records.

Both Mrs B and JAJA now have until the due date set out above to send in any further information, should they wish to do so. All I would add is that any final submissions should be materially new. Neither party needs to repeat what it's said to us before.

Mrs B didn't agree with my decision but has said she would accept the £200 compensation I mentioned in my provisional 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 know this isn't the answer Mrs B hoped for, and as I said previously, I understand this was a challenging time for her, which would have been made more difficult by the errors JAJA made. However, neither party has provided additional comments that I haven't already considered in my provisional decision, so I see no reason to depart from what I've already said.

My final decision

For the reasons set out above, I uphold this complaint and require JAJA FINANCE LTD to pay a total of £200 in compensation.

Providing Mrs B can evidence them, it should also refund the costs of the phone calls Mrs B made to inform it of its errors. And pay 8% simple interest per annum on this amount from the date of the calls until payment is made.

If JAJA FINANCE LTD considers that it's required by HM Revenue & Customs to take off income tax from the interest, it should tell Mrs B how much it's taken off. It should also give her a certificate showing this if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 29 June 2022.

Oluwatobi Balogun
Ombudsman