

## The complaint

Mr D complains about the information recorded on his credit file by Moneybarn No. 1 Limited (Moneybarn) during his time of financial difficulty.

## What happened

In January 2017, Mr D entered into a 48 month conditional sale agreement with Moneybarn for a used car. He was required to pay monthly instalments of £233.

Around June 2018, Mr D was unable to work due to an accident. He received no income during this time which led to him experiencing financial difficulty and the account falling into arrears. Over the period of several months, Moneybarn arranged a number of repayment plans based on what Mr D could afford. Mr D said although he later returned to making the contractual payments, Moneybarn had reported missed payments on his credit file from July 2018 onwards. Mr D said this was impacting on his ability to obtain credit so he complained.

Moneybarn outlined the history of the account and the repayments plans. They said Mr D had been clearly advised that his credit file would be impacted and until the arrears were cleared, it would be recorded as missed payments but the overall balance would reduce with time.

Unhappy with their response, Mr D referred the complaint to our service and the loan was settled in March 2021. Our investigator recommended the case wasn't upheld. They believed Moneybarn had acted fairly and as the account was in arrears this would reflect on the credit file as missed payments until the account was brought up to date.

Mr D disagreed and maintained his position. He stressed missing a payment and the account being in arrears were two separate issues. Mr D wanted his credit file updated.

In April 2022, I issued my provisional decision upholding the complaint. I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I intend to uphold Mr D's complaint."*

*At this point, I wish to emphasise that financial businesses such as Moneybarn have the obligation to report fair and accurate information about their consumer to credit reference agencies (CRA).*

*As a starting point, I've looked at the history of the account and the payment history. Having done so, it's clear the first missed payment was around June 2018. I understand this was the time Mr D was unable to work. After Mr D told Moneybarn about his financial difficulties, I can see from July 2018, they agreed to a number of repayment plans based on what he could afford over a period of several months. I also note Moneybarn agreed to extend the agreement by two months in January 2021 in order for the arrears to be paid and the agreement was eventually settled in March 2021. Based on what I've seen, I believe*

*Moneybarn acted fairly in the measures they applied in order to assist Mr D during his time of financial hardship.*

*Concerning matters relating to Mr D's credit file, I've reviewed the letters confirming the repayment plans. It says "As you won't be clearing your arrears balance, this could have a negative impact on your credit score and the vehicle may be at risk". Additionally having read Moneybarn's contact notes I can see in January and February 2019 when discussing the repayment plans, Mr D was advised that the arrears will show as arrears or missed payments on his credit file. Overall, although I'm satisfied Mr D was told the arrears would adversely impact his credit file, I do believe Moneybarn could've been clearer about how this would be recorded from the outset.*

*When reviewing this complaint, I've referred to the Information Commissioner's Office's guidance on the 'Principles for the reporting of arrears, arrangements and defaults at credit reference agencies'. This is industry wide guidance about the information financial businesses report on an individual's credit file so I believe it's reasonable to take it into consideration when reviewing this case.*

*In part, it says:*

*"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears. If this continues over time, the level of reported arrears will increase, which may result in the lender taking some form of action".*

*It goes on to say where revised payments or repayment plans are agreed with the financial lender this should be reflected on the credit file however how it's recorded will depend on whether it was a temporary or permanent change. In this case, based on the contact notes and the duration of the repayment plans, there is no suggestion Moneybarn intended the reduced payments to be a permanent change although I accept due to what Mr D could afford, these repayment plans went on for some time. In any event, I'm satisfied it was a temporary change.*

*The guidance outlines depending on the period and the amount of the arrangement to pay, arrears may continue to be reported but for temporary arrangements it's expected the individual would return to paying the contractual terms. Having reviewed the payment history, I can see Mr D didn't meet the contractual payments during two periods, that is June to October 2018 and January to February 2019. However from March 2019 onwards, he returned to making the contractual payments and more often than not, he paid a bit more in order to reduce the arrears.*

*Mr D has provided a copy of his credit report dated October 2020 although I'm conscious it's not a full credit report. It shows Moneybarn recorded missed payments from July 2018 through to October 2020. I haven't been provided with a more up to date credit file as part of my investigation but given the missed payments recorded, I suspect an updated credit file would show missed payments continued to be reported up to when the account was settled in March 2021 this is because the account remained in arrears up until that point.*

*I accept the account was in arrears at the time Mr D returned to paying the contractual instalments in March 2019 and this was the case up until the account was settled in full. However based on the ICO's guidance, once he returned to making the contractual payments, I don't believe it was fair for Moneybarn to record it as missed payments just because the account was in arrears, the arrears could've been recorded or reflected in another way for example via the account status or the account balance outstanding. I don't believe Moneybarn recording payments from March 2019 onwards as missed was a fair or accurate reflection of Mr D's payment history from that point onwards.*

*In line with the ICO's guidance, I believe it's reasonable for Moneybarn to record missed payments for the periods of June to October 2018 and January to February 2019 as the contractual payments weren't met. In addition, I believe it's fair for them to update Mr D's credit file to show the account was subject to an arrangement to pay from July 2018 up until the account was settled in March 2021. I consider this to be a more fair and accurate reporting of the status of the account.*

*Mr D said due to Moneybarn recording such adverse information on his credit file for over a year, it impacted his ability to get credit or credit at a favourable rate including his mortgage. I understand why he feels strongly about this and he wants to be compensated. In order to award such financial losses or to award compensation, I must be satisfied that it was a direct result of the business' failing. Here that would mean I would need to be satisfied had it not been for Moneybarn recording missed payments from 2018 and not stating the account was subject to an arrangement to pay, Mr D would've been able to obtain credit or done so at a more favourable rate.*

*I don't have sufficient detail nor evidence about his applications for credit so I can't reasonably say that's what happened. While I accept his credit score is most likely to have been impacted, I can't say with any certainty this was the only reason for Mr D's ability or lack thereof to obtain credit. The decision to lend, is a commercial one made by a financial business and while an individual's credit score will undoubtedly be a consideration, there are many other factors that are taken into account. On this basis, I won't be asking Moneybarn to compensate Mr D.*

*Taking everything into account, I'm satisfied Moneybarn acted reasonably to help Mr D during his time of financial difficulty by agreeing to repayment plans and extending the agreement. However I don't believe the information they reported on Mr D's credit file was fair nor accurate. To put things right, they should amend Mr D's credit file to show missed payments for June to October 2018 and January to February 2019, payments were met from March 2019 onwards and the agreement was subject to an arrangement to pay from July 2018 up to when the account was closed in March 2021.*

*Lastly, I must make Mr D aware that in the event he accepts this decision and Moneybarn updates his credit file as I've said, how this will appear on this credit file will depend on the individual CRA. I'm aware some CRAs provide a simplified version of a credit file so I encourage Mr D to check his full credit file once the changes have been made. Given the amount of time this incorrect adverse information has been reporting on Mr D's credit file and the worry it's caused him, I believe Moneybarn should also pay £100 compensation for the trouble and upset caused".*

## **Response to the provisional decision**

Mr D accepted the findings but felt that the compensation wasn't enough and £400 should be awarded given he wasn't able to obtain credit at a lower interest rate.

Moneybarn disagreed. In summary, they said they don't report whether a payment is missed or late, they only report the number of months an agreement is in arrears. That is, if the account is one month in arrears they will report it as 1 and if the account remains in arrears they continue to report for every month it's in arrears, e.g. 2, 3 and so on. They said how this is reflected will depend on the individual CRA as it would be displayed in different ways, it could display as '1', 'arrears' or 'missed'. Moneybarn said they can't be held responsible for how the CRAs or free credit checking websites display the information they report.

## **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.

Further to Moneybarn's response, I asked Mr D to obtain a full credit report from one of the three main CRAs which he has kindly provided. Having considered it, I can see the account was reported as being in arrears as described by Moneybarn above. From when the agreement started, it reports as 0 for some time meaning the account was being managed within the terms of the agreement. However in 2018, it starts reporting as 1 meaning a repayment up to one month was late. This coincides with when Mr D fell into financial hardship. Over the course of a number of months this increased to 4 meaning repayments of four or more months were late. For each month, it shows the account's outstanding balance and as previously mentioned it shows it remained in arrears up until the account was settled.

Based on this further information, I'm satisfied Moneybarn fairly and accurately reported the status of the account. They have not recorded it as missed payments. As mentioned above, it would appear how account arrears are reflected may differ with each individual CRA. For some, it will reflect as missed payments as was the case in the previous credit report Mr D provided.

In light of the above, I've changed my decision. I'm satisfied Moneybarn correctly recorded the status of Mr D's account and how it was being managed therefore they don't need to do anything further. I no longer require them to pay any compensation. I appreciate Mr D will be disappointed by the change of outcome but I hope he understands the reasons for doing so.

## **My final decision**

For the reasons set out above, I've decided not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 July 2022.

Simona Charles  
**Ombudsman**