

The complaint

Mr D is unhappy Lloyds Bank PLC updated his credit file with adverse information after it had advised him this would not happen.

What happened

Mr D asked Lloyds to remove him from a joint account due to a marital dispute. Lloyds said it could not do this whilst the account was overdrawn. As Mr D had received legal advice not to repay the debt, a dispute marker was added to the account. This was initially added to Mr D's sole account in error, but later moved to the joint account. This account exceeded its authorised overdraft limit due to interest charges. When Mr D contact Lloyds to check that this would not affect his credit file he was told it would not be reported. This advice was however incorrect and late payment markers were added to his credit file. Mr D says he would have repaid the debt had he known this would happen.

He complained to Lloyds saying he wanted the adverse data removing and the joint account closing. Lloyds accepted it gave incorrect advice and so arranged for the adverse data to be removed. It apologised and paid £50 compensation for the distress and inconvenience caused. Mr D later repaid the overdraft and was removed from the joint account.

Mr D says the bank's error impact his credit rating and access to credit at a time when he needed to secure another mortgage putting him under a large amount of stress.

Our investigator upheld Mr D's complaint. He said Lloyds had put Mr D back in the position he would have been in had the incorrect information never been provided by removing the adverse information from his credit file. But he thought £200 was a more appropriate level of compensation. He recognised Mr D had been removed from the account which his other request when he brought his complaint to us.

Lloyds agreed with this assessment and accepted it need pay a further £150 compensation.

Mr D disagreed that £200 was fair compensation, saying it did not recognise the damage Lloyds did to him financially and the impact it had on his mortgage capacity. He asked for an ombudsman's review, so the complaint was passed to me.

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.

Where the evidence is incomplete, as some of it is here, I have reached my decision based on the balance of probabilities. In other words, what I think is most likely given the available evidence and the wider circumstances.

I am upholding Mr D's complaint, in so far as I agree with the recommendation that the compensation be increased to £200 in total.

It is not in dispute that Lloyds gave Mr D inaccurate advice. When he brought his complaint

to this service the resolution asked for was that the adverse data be removed from his credit file and that he be removed from the joint account. Both these tasks have been completed.

In response to the investigator's assessment Mr D said Lloyds cost him a lot as his reduced mortgage capacity meant he missed out on properties when prices were lower. He did not provide any more precise or specific evidence of his financial loss. I asked both parties for details of the mortgage application Mr D refers to. He recalls he received an offer for £210,000 in May 2021 but hasn't given any more detail that has allowed Lloyds, or its subsidiary, to locate this offer. It has explained that if the offer was never progressed the information would only be held for six months.

I also asked Mr D for a copy of his full credit file to try to understand the wider circumstances at the time he applied. He declined to provide this, saying as Lloyds corrected the entries the report would not show how Lloyds had impacted his credit rating and consequently his access to credit.

This means, based on the available evidence, I cannot fairly conclude that Lloyds need pay Mr D more than the recommended £200 compensation. I have not seen enough evidence to conclude with certainty that solely Lloyds' incorrect advice about the later payment markers depressed Mr D's mortgage capacity. I note the joint account was not significantly over its overdraft limit, and I also note from a separate complaint Mr D made to Lloyds that he was trying to move his existing joint mortgage to an interest-only product at around the same time. There are a number of factors that impact a mortgage application, and I find, on balance, there will most likely have been more than one reason that Mr D was offered the mortgage value he was. I cannot fairly reach a different conclusion based on the evidence I have seen.

It follows I think £200 is suitable recognition for the trouble Lloyds's incorrect advice caused Mr D. As the investigator said, and I agree, a higher level than the bank initially paid is appropriate given Mr D's circumstances at the time and his proactive attempts to understand the impact on his credit file.

Putting things right

Lloyds must now pay Mr D the additional £150. I note it has already requested the account details for this payment. Mr D can provide these direct to the bank, or to our investigator, as soon as possible.

My final decision

I am upholding Mr D's complaint; Lloyds Bank PLC must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 October 2022.

Rebecca Connelley
Ombudsman