

The complaint

Miss F is unhappy that Close Brothers Limited sent incorrect information about the status of an account she held with it, to a credit reference agency, negatively impacting her credit information.

What happened

Miss F took out car insurance, through an insurance broker. And she decided to pay for the insurance premium via monthly direct debit. To do this, a credit agreement was set up with Close Brothers – who paid the insurance premium upfront, and then collected the payments from Miss F on a monthly basis.

The credit agreement started in August 2020. And payment was taken as expected, until the January 2021 payment was due. Close Brothers has said it was unable to take this payment, as the direct debit instruction had failed. Meaning it was likely either Miss F, or her bank, had cancelled the direct debit instruction.

Shortly after this, Close Brothers received notification that Miss F wanted to close her account with it. So, it calculated the remaining money owed to it under the credit agreement – and the majority of this was paid. There was £18.65 outstanding. Miss F then contacted Close Brothers and paid this. So, the account was fully settled, and should have been closed.

However, in October 2021 Miss F contacted Close Brothers and said some negative information was showing on her credit file, from Close Brothers. She said this showed she'd missed payment to it, and the account had been defaulted. Miss F highlighted this wasn't correct, as she'd settlement the account in full.

Close Brothers investigated this and agreed this was the case. So, any negative information reported about Miss F's account was incorrect. It explained to Miss F that it had contacted the relevant credit reference agency, to ensure this wrong information was put right. However, Miss F needed to return to Close Brothers, as negative information about the account was still being reported. This happened on a number of occasions, and Miss F complained about the situation.

Close Brothers looked into the complaint and upheld it. It said the issue had been due to system errors – which meant the wrong information kept being reported. It initially offered Miss F £100 compensation, which increased to £450. Miss F remained dissatisfied, and referred her complaint to this service, for an independent review.

After this, negative information was reported on Miss F's account again – and Close Brothers offered Miss F an additional £300. So, the total compensation offered now is £750. Close Brothers has said it made a fix to their system – and this now seems to have stopped the issue. It ran a search to check whether any negative information was showing for Miss F – and said it didn't get any negative information back from it. So, it was pleased the situation was resolved.

Our investigator considered this complaint and thought £750 was fair and reasonable compensation for the distress and inconvenience Miss F clearly experienced. They didn't feel it was necessary to award more than this, and commented that whilst Miss F raised concerns about not being accepted for a bank loan, and not being able to apply for a mortgage due to the above issues, there wasn't any firm evidence or impact in respect of this.

Miss F didn't agree. She said negative information was showing on her credit file still. Our investigator said the evidence didn't show that was the case.

As Miss F didn't agree, her complaint has been referred to me to decide.

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.

Having done so, I'm satisfied the compensation of £750 in total offered by Close Brothers is fair and reasonable. So, I'll be requiring it to pay the remainder of this, that it hasn't already paid to Miss F. I've explained why below.

Close Brothers has accepted responsibility for negative information being sent to a credit reference agency, and this continuing to reappear on Miss F's file. It's said an initial mistake was made when its agent took Miss F's final payment of £18.65. The advisor mistakenly reinstated the credit agreement, and it then reported missed payments in relation to what should have been a settled agreement. Close Brothers has also accepted that when it tried to fix the problem this wasn't successful. It's said system errors meant the wrong information continued to be reported.

As Close Brothers has accepted it did something wrong – I haven't needed to make a decision on this point. Rather, I've needed to decide whether Close Brothers' offer to put things right is fair and reasonable in the circumstances. And I'm satisfied it is.

It's clear the situation has been frustrating and worrying for Miss F. The negative information should never have appeared – and Miss F had to raise the issue with Close Brothers on several occasions, to ensure incorrect negative information was removed. This would have been inconvenient for her. But I think the £750 offered – which included £75 for costs Miss F incurred for checking Experian is fair and reasonable. I say this because I think this figure fairly recognises this trouble, upset and inconvenience caused.

Miss F has said in addition to the distress and inconvenience of the information appearing on her credit file, a bank loan she applied for was rejected due to the negative information. Miss F has provided a copy of an online chat she had with the relevant bank. So, I've considered this. I can see the bank says it considers credit reference information, as well as other information provided to it, when deciding whether to lend. The bank didn't note that information reported by Close Brothers was a factor, or sole reason, it declined the loan. So, I don't hold Close Brothers accountable for this. Or think it should increase compensation because of this point.

I also understand Miss F said she didn't pursue obtaining a mortgage at the time, because of conversations with her broker about negative information from Close Brothers. Miss F didn't apply for a mortgage, a mortgage application wasn't rejected, so there wasn't a further impact on her credit file. So, I don't think this changes the outcome of the complaint. I'm satisfied the distress and inconvenience of the overall situation, which includes this instance, has been fairly compensated for in the £750 offered.

Miss F told this service, in May 2022, that the default still hadn't been removed from her account. I've looked at what Miss F has sent us, as well as Close Brothers response to this. And I can't see that negative information is still reporting. The screenshots of Miss F's credit files don't show this. And Close Brothers has also provided screenshots, showing the last amendment to the file, which removed the negative information. This evidence suggests the problem has since been remedied. So, I don't think Close Brothers needs to do anything more here.

My final decision

Given the above my final decision is that the total compensation of £750 now offered is fair. I understand Close Brothers Limited has paid Miss F £450 of this so far. It should now pay her the further £300, if it hasn't already done so.

I don't award anything further than this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 12 August 2022.

Rachel Woods
Ombudsman