

The complaint

Mr and Mrs G complain about the adverse information that UCFS Europe Company has recorded on their credit files.

What happened

I issued a provisional decision on this complaint in August 2022 in which I described what had happened as follows:

“Mr and Mrs G entered into a fixed sum loan agreement with UCFS which they signed in September 2015 to pay for a cleaner. The loan was for £1,595 which they agreed to repay by 48 monthly payments of £56.50. There were some issues with their payments in 2016 and they say that they became aware in October 2020 when their mortgage application was rejected that UCFS was recording adverse information on their credit file. They say that their credit file was corrected but that UCFS again recorded late payments in December 2020 which caused another mortgage application to be rejected.

They complained to UCFS and it said that the reason that their account was showing as in arrears was due to missing contractual payments between April and August 2016 – and although they made-up for the payments in arrears, interest was accumulated on the account due to the arrears that was never paid which caused their account to be reported as in arrears. It said that it had asked the credit reference agency to update the status of their account but, because their account was still in arrears, the arrears were reported again. It said that it again contacted the credit reference agency and provided a letter to Mr and Mrs G’s mortgage company. It also said that it was writing-off their outstanding balance and closing their account.

Mr and Mrs G weren’t satisfied with its response so complained to this service and say that they want UCFS to refund all of the interest that they’ve paid and to pay them £2,500 in damages. Our investigator didn’t recommend that their complaint should be upheld. She said that there were multiple missed payments in 2016 and arrears letters were sent to Mr and Mrs G and that there was accumulated interest on the account due to arrears that weren’t paid. She also said that there were other defaults on Mr G’s credit file that may have impacted their mortgage applications. She was satisfied that it was fair for UCFS to report the arrears from 2016 on their credit files.

Mr G has asked for this complaint to be considered by an ombudsman. He says that at the time the arrears were reported the account was no longer in arrears and that his credit score has been heavily impacted and that when the misreporting was corrected his credit rating went from very poor to good. Mr G says that this complaint is also about irresponsible lending – but that didn’t form part of the original complaint to UCFS so that issue is being dealt with separately”.

I set out my provisional findings in my provisional decision which were as follows:

“Mr and Mrs G entered into the fixed sum loan agreement in September 2015 and it’s clear from their account statement that there were missed payments in 2016 which put the account into arrears. They’d agreed to make monthly payments of £56.50 to the account and UCFS says that it was agreed that the monthly payment would be increased to £65 to repay the arrears in August 2016. But Mr and Mrs G continued to make monthly payments of £56.50 so the arrears on the account continued to increase until April 2018 when they started repaying £65 each month.

UCFS says that under the agreement with Mr and Mrs G, the arrears were moved to the end of the loan so that they wouldn’t be charged default fees every month. Mr G’s credit report that he provided shows that arrears of less than four months were recorded on his account between March to September 2016 and at all other times until March 2020 no arrears were shown. The report then shows increasing arrears from February 2020.

Mr and Mrs G continued to make monthly payments of £65 to the account until November 2020 when UCFS wrote-off their outstanding balance of £53.27 and closed their account. UCFS also says that it has contacted the credit reference agency about the account and provided a letter to their mortgage company to say that the arrears were from 2016.

I consider it to be clear that Mr and Mrs G didn’t make all of the monthly payments that were due under their agreement in 2016 which caused the account to go into arrears and that they made underpayments from September 2016 to April 2018. I consider that the missed payments and arrears should have been recorded at the time that they occurred. UCFS is required to record true and accurate information about their payment history to the credit reference agencies. I don’t consider that reporting increasing arrears on their credit file from February 2020 is a true and accurate record of their payment history.

If UCFS had recorded the missed payments on their credit files in April to August 2016, that information would have stayed on their credit files for six years so would now have either been removed or would be about to be removed. The information that UCFS has recorded will stay on Mr and Mrs G’s credit files for six years from the time that it was recorded (starting in February 2020) – I don’t consider that to be fair or reasonable. I consider that it would be fair and reasonable in these circumstances for UCFS to remove any adverse information that it has recorded on Mr and Mrs G’s credit files about their account.

Mr G says that the key point of this complaint is his credit score before and immediately after the adverse information from UCFS was corrected . But a credit score is affected by many factors and a mortgage provider’s decision as to whether or not to accept a mortgage application will also be affected by many factors. Mr G has provided an e-consumer view of his credit report but it shows that he had two accounts that had been defaulted and those defaults could have caused a mortgage provider to reject a mortgage application from him. It also shows that a loan from September 2015 with monthly payments of £56 - which appears to be the loan from UCFS - as settled.

Mr G says that his credit score is now good and that he’s had a mortgage application accepted and I’m not persuaded that there’s enough evidence to show that his mortgage application was rejected because of the adverse information that UCFS had recorded on his credit file so I don’t consider that it would be fair or reasonable for me to require it to pay Mr and Mrs G any compensation because of the rejected mortgage application. But I consider that UCFS hasn’t acted correctly in the way that

it's reported information to the credit reference agencies. That will have caused distress and inconvenience for Mr and Mrs G and I find that it would be fair and reasonable for UCFS to pay them £100 to compensate them for that distress and inconvenience.

I sympathise with Mr and Mrs G for the difficulties that they've experienced, but I see no basis on which a compensation payment of £2,500 would be justified. Nor am I persuaded that it would be fair or reasonable for me to require UCFS to refund to them any of the interest that they've paid under the agreement".

Subject to any further representations by Mr and Mrs G or UCFS, my provisional decision was that I intended to uphold this complaint. Mr G says that he accepts my provisional decision but UCFS says that it agrees to remove the adverse information from Mr and Mrs G's credit files but it acted properly with the credit reference agencies and would like my decision for it to pay the £100 compensation to be reconsidered.

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 not persuaded that I should change my provisional decision. For the reasons that I set out in my provisional decision, I don't consider that UCFS acted correctly in the way that it reported information to the credit reference agencies. I consider that that will have caused distress and inconvenience for Mr and Mrs G and I find that it would be fair and reasonable in these circumstances for UCFS to pay them £100 to compensate them for that distress and inconvenience. UCFS has agreed to remove the adverse information from Mr and Mrs G's credit files.

Putting things right

I find that it would be fair and reasonable for UCFS to take the actions described in my provisional decision and as set out below.

My final decision

My decision is that I uphold Mr and Mrs G's complaint and I order UCFS Europe Company to:

1. Remove any adverse information about Mr and Mrs G's account that it has recorded on their credit files.
2. Pay £100 to Mr and Mrs G to compensate them for the distress and inconvenience that they've been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 1 December 2022.

Jarrold Hastings
Ombudsman