

The complaint

Ms Z says Nationwide Building Society treated her unfairly when reporting information about her account holdings with it to credit reference agencies (CRA).

What happened

Ms Z's complaint involves a flex (current) account overdraft, a loan and a credit card, all held with Nationwide.

Ms Z experienced difficulty in repaying the overdraft on her current account. As a result, she entered an 'arrangement to pay' with Nationwide in 2018 to help clear the outstanding balance. Ms Z maintained her payments under the arrangement, but she says she was sent two letters by Nationwide in October 2019 explaining she had defaulted on the arrangement. Ms Z raised this with Nationwide and it agreed that a letter was sent in error.

As a result, Nationwide and Ms Z agreed the account would be closed once the overdraft had been cleared in full. This was due to happen in July 2020, however, due to a credit payment entering the account putting the account in credit, it remained open. Ms Z noted negative reporting on her credit file in relation to this account and raised it with Nationwide. The issue was investigated, and Nationwide confirmed the account had remained open because of the credit payment mentioned above. It was eventually closed in July 2021. But it didn't think it had reported any incorrect information to the CRA.

Ms Z did not think Nationwide had done enough in updating her credit file. Ms Z said the negative reporting had an impact on other credit accounts she held and resulted in her having to take a mortgage with a higher interest rate.

During this period Ms Z also raised concerns about the loan she held with Nationwide. Ms Z says she kept Nationwide updated about her situation and her plans for repayment, so any negative entries recorded on her credit file are unfair.

Ms Z has also raised concerns about her credit card with Nationwide which was taken in 2011. Ms Z initially raised a complaint about a default relating to this credit card in February 2017. This was subject to a complaint which our service has previously assessed. And Nationwide was directed to reinstate the balance on the card, allowing Ms Z to make repayments towards it.

Our investigator looked at all of the available evidence and recommended Ms Z's complaint be upheld. Ultimately, he thought Nationwide had – during the course of this complaint, made the appropriate adjustments to Ms Z's credit file. But he acknowledged that there had been some incorrect reporting before this, and he thought this would've had a negative impact on Ms Z's credit file. So, he recommended Nationwide pay Ms Z £250 in recognition of the distress caused to her by its errors.

Nationwide agreed with the recommendation. Ms Z remained unhappy and didn't think this was a fair way to resolve her complaint. As no agreement could be reached, the case has been passed to me – an ombudsman – to issue a final decision.

I looked at Ms Z's case and issued my provisional decision on 17 August 2022.

What I said in my provisional decision

There's a great deal of correspondence on this complaint and many complaint points have been raised. I will, however, focus on issues which are - in my opinion - relevant to reaching a fair outcome to this complaint. This isn't meant as a discourtesy. It simply reflects the informal nature of our service.

Ms Z's complaint relates to a, a credit card, loan and a current account overdraft. I will deal with each one in turn.

Credit Card

Ms Z credit card account was subject to a previous complaint referred to this service. Ms Z says Nationwide continued to report a default on her credit file when in the previous complaint Nationwide had been directed to remove the default.

I can't comment on the outcome of the previous complaint case as it has already been reviewed by our service. But looking at Ms Z's credit file and the available evidence for the credit card, it does seem that Nationwide settled the complaint as directed. I can see the credit card is currently showing as settled and the default that was applied has been removed.

Based on Ms Z's representatives' most recent correspondence the credit card reporting no longer appears to be an issue for Ms Z, and they are satisfied the entries are now accurate.

Loan account

Ms Z is unhappy with how Nationwide has reported her repayments for a loan she took out in February 2014. It's not in dispute that Ms Z struggled to meet her contractual repayments on her loan account. But she says she was assured a default would not be applied.

Looking at the loan account history, I can see Ms Z missed a number of repayments, and there was a period of many months where no repayments were made at all. I accept Ms Z kept Nationwide updated about her financial situation and her plans to make a partial repayment, but having listened to the call recordings Nationwide has provided from this time, I'm satisfied Ms Z was told that late and missed payments will be reported on her credit file. I think it was made sufficiently clear to Ms Z the impact of not making her repayments would have, and that her account would pass over to the recoveries team.

Nationwide is under an obligation to accurately report information to credit reference agencies. In this instance, although Ms Z was in contact with Nationwide about her repayment plans, the fact remains that payments were not made in accordance with the agreement she had initially with Nationwide. So, I don't think Nationwide did anything wrong when missed payments were recorded on Ms Z's credit file.

I can see that a default was subsequently recoded in February 2018. I appreciate this was a difficult time for Ms Z, but given the state of the account, I don't think Nationwide registered the default incorrectly. So, I can't say that Nationwide should remove the information it recorded.

It does however seem that once the loan was eventually settled the correct information to reflect this was not recorded. The loan showed as partially settled from July 2018 to June 2021, when it should have been recorded as fully settled. I think this would've had an impact

on Ms Z's credit score. Although Nationwide has now amended this, I do think it had a responsibility to accurately record this information at the outset. I'll come back to what Nationwide needs to do to put things right later in my decision.

Current account overdraft

Ms Z says Nationwide didn't accurately report information about the overdraft on her current account. Ms Z had a repayment arrangement between July 2018 and May 2021 for her overdraft. I can see Nationwide issued Ms Z with a letter explaining she defaulted on this agreement to repay the overdraft. Nationwide has confirmed this was an error on its part and this should not have been issued as Ms Z did meet her repayment obligations under the agreement set up with Nationwide. But it remains that an arrangement was in place, so Nationwide was correct to report this was the case.

Nationwide and Ms Z agreed that the current account would be closed once Ms Z had made all the necessary payments to clear her overdraft. It seems this didn't happen as it should have in June 2020. Nationwide has looked into this and explained that, as a payment went into the account leaving a credit balance, this resulted in the account remaining open which in turn resulted in Ms Z's credit file continued to show the account as active. The account was eventually closed in July 2021

I don't think Nationwide did enough when handling this issue. I'm persuaded that the continued recording of this account – when it should've been closed, impacted Ms Z's credit file. And Nationwide didn't take any pro-active steps to deal with this. It seems that although Ms Z raised concerns at the time, they weren't properly dealt with and it was only after she raised a formal complaint a year later that the issue was investigated. Following the investigator's review, I can see Nationwide has confirmed it has now manually entered a settlement date on Ms Z's credit file relating to this account. I'm satisfied that this should now put this matter right in terms of how the account is reported on her credit file.

Summary

Throughout the investigation there has been a great deal of correspondence about the entries on the credit file, their timing and their meaning. Ms Z's representatives do not think the credit file has been appropriately amended. But I have looked at the entries and while I appreciate it is not entirely clear at the outset what had been entered, on closer inspection I am satisfied Nationwide has taken the necessary steps to amend Ms Z credit file accurately.

Taking this all into account, I won't be asking Nationwide to amend her credit file further. I understand this will come as a disappointment, but the accurate reflection and reporting of an individual's credit situation is an important regulatory requirement for providers such as Nationwide.

I note that Ms Z thinks Nationwide should pay compensation to cover additional mortgage costs she incurred and inconvenience she has encountered with another credit provider. But I can't say that Nationwide's errors - in failing to update her credit file accurately, are solely responsible for these problems. As mentioned above, Ms Z did have repayment problems.

She missed some payments and entered into payment arrangements on two accounts. In addition, I've concluded that her loan account was correctly defaulted. So, I think this information would have always impacted on any request for a mortgage or other credit accounts. So, I'm not going to ask Nationwide to cover the costs Ms Z incurred on her mortgage.

I also note that Ms Z wants Nationwide to cover the costs in asking a third party to represent

her in bringing her complaint. As our investigator has explained, we don't expect a business to cover such costs. Ms Z could have referred her complaint to Nationwide and subsequently this service free of charge. So, I won't be asking Nationwide to cover the costs incurred as a result of her decision to use a third-party representative.

It's not in dispute that Nationwide didn't update Ms Z's credit file when it should have. And that it could have done more when the closing of the current account was delayed. The investigator recommended Nationwide pay Ms Z £250 for the distress caused by this matter. So, I've thought about whether this is fair. Overall, given that reporting issues were found on Ms Z accounts and the length of time this matter has been ongoing, I think £350 more accurately reflects this distress and inconvenience caused.

I know this will not be the outcome Ms Z was hoping for and she will be disappointed with the decision I've reached. But I hope my provisional decision provides some clarity around why I won't be asking Nationwide to make any further changes to her credit file or pay more compensation than that mentioned above.

Putting things right

Nationwide has amended Ms Z's credit file based on the investigator's recommendations. In addition to this it should:

- Ensure the reporting remains accurate and work with any credit agencies to ensure any outstanding/further updates are recorded effectively.
- Pay Ms Z £350 compensation in recognition of the distress and inconvenience suffered.

Responses to the provisional decision

Nationwide replied to the provisional decision, explaining it had nothing further to add. Ms Z responded explaining that she didn't agree that her credit file report had been fully corrected. But she said she didn't want to pursue this further. However, she explained that she had to appoint a solicitor as Nationwide failed to properly deal with her queries and complaint. And she feels Nationwide should compensate her for the legal costs she has incurred, as well as the costs associated with her mortgage as she had to appoint a specialist broker. These costs include:

- £199 admin fee.
- £1,495 broker fee.
- £1,495 mortgage fee.
- £228 – legal fees for the complaint.
- £500 - compensation for stress and inconvenience.

As both sides have responded to my provisional decision, I will now issue my final decision on the complaint.

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've considered the further points raised by Ms Z. She says the negative entries on her credit file meant she couldn't easily obtain a mortgage and she had to use a specialist mortgage

broker. But as I said in my provisional decision, I can't say that Nationwide's errors - in failing to update her credit file accurately, are solely responsible for the costs Ms Z has incurred. While Nationwide made mistakes, Ms Z also faced problems meeting her repayments – which I'm satisfied would have been reported on her credit file. And I'm persuaded this information would have always had a negative impact on her credit score and any lending application she subsequently made. So, I think it's most likely Ms Z would have always incurred additional costs in obtaining a mortgage. This means it wouldn't be fair to ask Nationwide to cover them.

I understand Ms Z feels she has had no choice but to appoint a solicitor to help with her complaint, as she wasn't making any progress with Nationwide. Although I do agree Nationwide could've handled matters better, I don't think this means it should be responsible for Ms Z's legal costs. Ms Z made the decision to seek legal assistance, without any assurance the costs would be covered by Nationwide. The option to contact this service free of charge was always available to Ms Z and this is what she ultimately did. So, I'm not going to tell Nationwide to cover the legal costs Ms Z incurred.

Ms Z also says the compensation award should be £500. Deciding on awards for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. I don't doubt that Ms Z's ongoing complaint with Nationwide has been the source of considerable stress and worry for Ms Z. But I've thought carefully about the impact Nationwide's mistakes have had on Ms Z, and I think £350 fairly reflects the issues she has faced. And my direction to Nationwide to ensure the credit reporting for Ms Z remains accurate will also go some way in helping Ms Z's situation.

I am sorry to learn of the effect this complaint has had on Ms Z. I hope the reasons set out in both this decision, alongside my provisional decision, will go some way in helping her understand why I won't be asking Nationwide to do any more than outlined in my provisional decision.

Putting things right

Nationwide has amended Ms Z's credit file based on the investigator's recommendations. In addition to this it should:

- Ensure the credit reporting remains accurate and work with any credit agencies to ensure any outstanding/further updates are recorded effectively.
- Pay Ms Z £350 compensation in recognition of the distress and inconvenience suffered.

My final decision

For the reasons given above, I uphold this complaint and require Nationwide Building Society to put things right by doing what I've set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Z to accept or reject my decision before 18 October 2022.

Chandni Green
Ombudsman