

The complaint

Mr I complains John Lewis Financial Services Limited unfairly reported missed payments to the Credit Reference Agencies (“CRAs”).

What happened

I issued a provisional decision. I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Mr I had a loan with John Lewis. To maintain the loan Mr I needed to pay John Lewis about £140 each month for the term of the loan. Missed payments would be reported to the CRAs. This is how loans generally work and the onus is on the borrower to ensure payments are made in full and on time. When a borrower is in financial difficulties the lender has a responsibility to treat them with forbearance and due consideration - in other words, fairly.

In 2020 Mr I’s income was impacted by the pandemic. He asked for a Covid-related payment deferral. This was agreed for May, June and July 2020. A payment deferral meant no payments were required, his credit file wouldn’t be adversely impacted, and the accumulated arrears would be dealt with at the end. I find John Lewis treated Mr I fairly here – he asked for temporary support, and he got it.

A payment was due in August 2020. This payment wasn’t made. Mr I suggests this was because of an error on the part of John Lewis with his direct debit. I’m not persuaded that’s the case as the evidence available to me suggests it had been cancelled at Mr I’s bank. In any case, John Lewis asked Mr I to make the payment manually. He didn’t do this in August 2020, and as set out above, the onus was on Mr I to make the payment regardless of the method.

In early September 2020 Mr I called John Lewis because he’d received a missed payment letter. He was told he needed to make the August 2020 payment. Mr I was concerned he wouldn’t be able to afford the August and the September 2020 payments. John Lewis took the August 2020 payment and explained he would need to apply for a payment deferral extension online, or complete an income and expenditure exercise over the phone. I find John Lewis could have been more proactive here in determining Mr I’s long-term support needs.

In October 2020, following the September 2020 payment not being taken by direct debit – seemingly for the same reason as the August 2020 payment – Mr I called John Lewis. It paid him £80 to recognise the problems he was experiencing and agreed to remove adverse information reported to the CRAs in August and September 2020. It also agreed to consider a payment deferral extension. I find John Lewis treated Mr I fairly here. I say this because I don’t consider John Lewis was responsible for Mr I’s missed payments, and I consider the change to his credit file was beneficial to Mr I.

John Lewis didn't agree to extend the payment deferral. There's some dispute about whether this was in line with guidance issued by the regulator, the Financial Conduct Authority. I don't, however, find this makes a material difference. I say this because a payment deferral extension would have been a short-term measure and would only have helped with payments due in September, October and November 2020. Unfortunately, Mr I's finances didn't return to normal until after he'd started work around April 2021.

In the event, rather than agree a payment deferral extension, John Lewis agreed to a Long Term No Affordability Plan because Mr I had a negative disposable income. This meant Mr I didn't need to make any payments for six months, meaning no payment was due until May 2021. I find this was a fair and reasonable action for John Lewis to take - Mr I couldn't afford to make payments, and this meant he didn't have to.

In May 2021 John Lewis checked Mr I could afford to make payments again and found he could, so it agreed if he made the following three payments it would re-age the account - this would mean bringing the arrears back into the balance and extending the loan term, bringing the loan back on track. I find this was fair and reasonable too as it meant once Mr I had demonstrated he was able to manage the loan, things would be more or less back to normal.

Payments weren't made in May or June 2021. Mr I suggests this was because of an issue with his direct debit, for which John Lewis was at fault. Again, the evidence I've seen suggests it was a problem at Mr I's bank's end. Regardless, Mr I knew payments were needed, knew there had previously been direct debit issues, ought reasonably to have known to be on the lookout for further issues, known the direct debits had failed, and therefore made manual payments.

In July 2021 the loan was re-aged, seemingly with the missed May and June 2021 payments also moved into the balance, and the direct debit started taking payments successfully. The loan, therefore, has been back on track since July 2021. Further, John Lewis paid Mr I another £75 to apologise for one of its advisors not sounding too confident on a call.

Mr I remains dissatisfied because of the impact this matter has had on his credit file. I've reviewed his credit file and it shows missed payments in August and September 2020, and May, June and July 2021. In light of my findings above I don't think this is quite right. I therefore intend to require John Lewis to remove adverse information from Mr I's credit file for August and September 2020, and July 2021.

Overall, I find John Lewis supported Mr I through a difficult time and while I consider a change to his credit file necessary, I don't consider further compensation appropriate.

My provisional decision

I intend to uphold this complaint and require John Lewis Financial Services Limited to remove adverse information from Mr I's credit file for August and September 2020, and July 2021."

John Lewis accepted my provisional decision. Mr I responded to say he had been told by his bank the direct debit was in place and John Lewis didn't claim it, and that he was told in a call not to make a manual payment. He also said the missed payments John Lewis recorded on his credit file led to him needing to pay a mortgage broker about £2,000 to secure him a

mortgage, and the interest rate on that mortgage was higher than it would have been. Mr I considers more compensation appropriate.

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 going to require John Lewis to pay Mr I more compensation. I'll explain why.

I'm still not persuaded John Lewis was at fault for Mr I's direct debit issues. But even if I were, for the reasons set out in my provisional decision, the onus was still on Mr I to make payments.

It's unclear to me when Mr I says John Lewis told him not to make a manual payment, but I find it was most likely, if it was said, it was said in one of his calls with John Lewis in late 2020. As I'm going to require John Lewis to amend his credit file for that period it doesn't change matters.

While I accept Mr I had some difficulties obtaining a mortgage, I can't reasonably hold John Lewis responsible. Missed payments on a credit file are a relevant consideration for lenders, but I'm not satisfied from the evidence available to me Mr I's problem stemmed solely from the three missed payments I'm going to require John Lewis to remove. Key reasons for this are:

- As my provisional decision set out, two of the missed payments should stand;
- There were long periods where Mr I's loan received no payments and the balance didn't reduce – something a lender would most likely take note of; and
- Mortgage applications are based on a full understanding of the borrower's circumstances. I therefore can't rule out the possibility of other factors, unrelated to John Lewis' actions, being relevant to lenders' considerations.

My final decision

I uphold this complaint and require John Lewis Financial Services Limited to remove adverse information from Mr I's credit file for August and September 2020, and July 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 26 October 2022.

James Langford
Ombudsman