

The complaint

Mr T complains that Moneybarn No. 1 Limited is recording information incorrectly on his credit file.

What happened

Mr T entered into a conditional sale agreement in 2015 to acquire a car. He voluntarily terminated his agreement in 2017 and this left an outstanding amount due. Mr T hasn't made any payments towards the outstanding amount. Mr T says the account is recorded as 'U' on his credit file whereas he believes it should be recorded as settled or defaulted (back dated to 2017). He is concerned that recording as 'U' will mean the account stays on his credit file indefinitely rather than being removed after six years.

Moneybarn says the account is recorded correctly with the credit reference agencies. It said the 'U' marker was neither positive nor negative and was the marker used when a customer voluntarily terminates their agreement. It said as Mr T's account was neither settled nor had it defaulted and so it wouldn't be recorded as such. It said that the account was continuing to be recorded as the balance remained outstanding. Moneybarn said the six-year timeframe was from the end of the agreement and as Mr T's agreement hadn't been settled or ended the timeframe hadn't started.

Our investigator upheld this complaint. He noted that Mr T's account was in arrears at the time he exercised his right to voluntary termination. He noted the Information Commissioner's Office (ICO) guidance about when a default will be registered. Because of this he thought it would have been reasonable for Mr T's account to have been defaulted in March 2017 and recommended Mr T's credit file be amended to reflect this.

Moneybarn didn't agree with our investigator's view. It said that after the agreement was voluntarily terminated in 2017 there was no longer an active agreement with contractual payments due and so it wasn't able to report missed payments. It said it was its decision when to issue default notices and in this case this hadn't happened. Moneybarn said it could start the default process, but this would result in the default being in place for six years.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Mr T voluntarily terminated his conditional sale agreement with Moneybarn in 2017. After this point there was no active agreement under which monthly payments were due but there was an outstanding balance. Mr T was sent default sum letters in March and April 2017 and the system notes recorded a default notice in February 2017 at the time of the voluntary termination. However, I couldn't see that default proceedings were instigated at that time.
- Moneybarn was required to report accurate information to the credit reference agencies. The credit report information provided showed that Moneybarn was reporting the outstanding balance on Mr T's account and a marker of 'U' or 'US'

(unclassified) to the credit reference agencies. Mr T hadn't made any payments towards his outstanding balance since February 2017. Had he done so these would have been seen in the outstanding balance amount. Therefore, I couldn't say that Moneybarn was reporting incorrect information by showing the balance still outstanding.

- Mr T's complaint was about the 'U' or 'US' marker being applied rather than the account being defaulted in or around 2017. I did not find that Moneybarn did anything wrong by applying the 'U' / 'US' marker in 2017. Mr T took action to end his agreement and it wouldn't have been fair to have started default proceedings at that time. Moneybarn applied the 'U' / 'US' marker and has explained that was its usual approach. Taking this into account and as the marker is seen as neither positive nor negative, I thought this was a fair approach at the time.
- The outstanding point was whether Moneybarn should have continued to apply the 'U' / 'US' marker or there was a point at which, due to Mr T's non-payment, default proceedings should have started. The ICO guidance says that defaults may be registered when an account is in arrears for three months or more and would expect the account to be in default by the time it is six months in arrears. I agreed that Moneybarn wasn't required to default an account in arrears and that the decision to default would take into consideration other factors.
- Mr T's agreement was voluntarily terminated. From this point monthly contractual repayments weren't due and so I understood that Moneybarn would take a different approach to its reporting of the outstanding balance. Since the termination there hadn't been a trigger which I would say meant default proceedings were required to happen and I noted that in March 2021, Mr T offered a settlement amount. This showed that there was still an ongoing relationship and while the settlement amount wasn't agreed, the offer made suggested that Mr T was able to make a payment towards this agreement although he chose not to.
- On balance, I didn't think Moneybarn's reporting was either incorrect or inaccurate.
- I considered whether the approach taken was fair and reasonable. I noted Mr T's comments about the reporting not stopping after six years but I also noted that he didn't raise this concern in 2017 or around that time and that he had benefited from the reporting on his credit file being a 'U' or 'US' rather than a default being applied or arrears being reported. Moneybarn said that this was how it usually reported these situations. Therefore, I didn't think I could say that Mr T has been treated unfairly and instead I thought he has benefited from not having the default applied previously.
- Overall, I accepted this was an unusual case due to the extended period of non-payment, but I didn't find I could say that the reporting was incorrect or inaccurate nor that Mr T had been treated unfairly. Because of this I didn't uphold this complaint.

Moneybarn accepted my provisional decision. Mr T didn't agree. He didn't think it fair that the debt should remain on his credit file for more than six years and potentially indefinitely.

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.

As both parties responded to my provisional decision, I am now able to issue my final

decision. I appreciate the concerns that Mr T has raised both about his debt and a precedent being set. I treat each case based on its individual merits and my decision is based on my assessment of the unique circumstances of the complaint.

In this case, as I set out in my provisional decision, I do not find that Moneybarn was wrong to report Mr T's account with the credit reference agencies as it did. I understand his concerns about the time the account will remain on his credit file, but I also note that the reporting is neither positive or negative. Also, as I have said previously, Mr T benefitted from his account not being defaulted in 2017 and so while I do appreciate his concerns, in this case I do not find I can say Moneybarn has done anything wrong or that Mr T has been treated unfairly. Therefore, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 December 2022.

Jane Archer
Ombudsman