

The complaint

Mr S complains that John Lewis Financial Services Limited (“JLFS”) reported incorrect information about his account to the Credit Reference Agencies, which he says has negatively affected his credit score and adversely impacted him in other ways.

What happened

Mr S held a credit card account with JLFS. In November 2019, he was declared bankrupt. Mr S spoke to JLFS at the time and it applied a temporary block to his account. JLFS says it couldn’t block the account fully as it hadn’t received anything from the Official Receiver at that point. The temporary block prevented payments going out of the account but didn’t stop payments coming in.

In the period from December 2019 to August 2020, several credits were made to the account by a business which I’ll call A. But Mr S says that, due to the bankruptcy order, it shouldn’t have been possible for credits to be made to the account. The issue of the credits was considered by this service in a previous complaint brought by Mr S.

In August 2021, several months after our Investigator had issued a view on the initial complaint, JLFS paid the credits from A to Mr S. JLFS debited the funds from Mr S’s credit card account in order to do this, causing the balance to exceed the credit limit. The account was reported to the Credit Reference Agencies as being over the credit limit and in arrears.

Mr S complained to JLFS about the way the account was being reported. JLFS said it had to report a true reflection of Mr S’s account and couldn’t change the entries on his credit file. Mr S wasn’t happy with JLFS’s response and asked this service to look at the complaint. He said that his account should have been reported as defaulted due to his bankruptcy, but instead JLFS was reporting it as an active account.

Our Investigator didn’t think JLFS had acted fairly. She recommended that it close Mr S’s account and report a default balance of £6,959 (which was the balance before the credits from A were debited). She also recommended that JLFS pay compensation of £250 to Mr S for the unnecessary stress and inconvenience the situation had caused.

JLFS accepted our Investigator’s recommendations and has since amended the balance of Mr S’s account to £6,959. But Mr S said that, although the balance had been changed, the status of the account hadn’t. He says it is still showing on his credit file as an active, overdue account, rather than a defaulted account. And he didn’t think £250 was enough compensation. He asked JLFS to consider what it felt was an appropriate amount. JLFS didn’t wish to offer more, so the complaint was referred to me for a decision.

I issued a provisional decision on 3 October 2022, indicating my intention to uphold this complaint. Both parties indicated their agreement with my provisional findings.

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 haven't seen anything which changes my mind about the appropriate outcome here. So I'm going to uphold this complaint in the way I indicated in my provisional decision. My reasons are set out below.

Mr S accepts that JLFS has amended his account balance in line with our Investigator's view. The balance is now showing on Mr S's credit file as £6,959. But Mr S provided evidence that, as recently as August 2022, the account is showing as an active, overdue account on his credit file. So, I'm not satisfied that JLFS has marked Mr S's account as defaulted. It needs to do that and should have done so before now.

I also think that the account balance being reported needs to be amended further. The date of the bankruptcy order was 13 November 2019. Mr S informed JLFS about the bankruptcy on 25 November 2019. But JLFS continued to apply interest and charges to Mr S's account during the bankruptcy and these are included in the balance now being reported. I've asked JLFS about this and I understand that there was a delay in JLFS receiving official notice of the bankruptcy in this case. Nevertheless, JLFS accepts that interest should have been frozen during the bankruptcy.

JLFS suggested that the balance doesn't need further adjustment as Mr S isn't expected to pay it and it will be written off. But I think the balance does need to be adjusted. That's because it needs to be an accurate reflection of the amount which was outstanding at the date of Mr S's bankruptcy. No interest or charges should have been applied after the date of the bankruptcy order, so they shouldn't be included in the balance being recorded on Mr S's account or reported to the Credit Reference Agencies. Not only is the current balance incorrect, but it also has the potential to impact Mr S negatively if his credit file shows a default balance which is more than he owed at the time. So I think JLFS should amend the account balance by removing interest and charges applied from 13 November 2019.

Mr S has explained the negative impact these mistakes have had. He's clearly been inconvenienced and it has been distressing for him to have to keep pursuing the matter, knowing that there are still errors in the way his account is being reported after all this time. He's provided evidence that he's been rejected for credit. Whilst I can't safely conclude that the sole reason for this was the JLFS account, I find it likely that the way it has been reported to date has been a factor. I think that JLFS needs to pay some compensation to Mr S to recognise this. Given the ongoing issues I've outlined above, I think this needs to be more than previously recommended by our Investigator. Taking everything into account, I think £400 would be a fair amount.

My final decision

For the reasons above, I uphold this complaint. John Lewis Financial Services Limited should:

- remove all interest and charges which were applied to Mr S's account from 13 November 2019 onwards, so as to calculate the amended balance ("the Default Balance");
- close Mr S's account;
- report to the Credit Reference Agencies that the account was defaulted on 13 November 2019 and report that the balance at the time was the Default Balance; and
- pay compensation of £400 to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 December 2022.

Katy Kidd
Ombudsman