

The complaint

Mr M is unhappy that Moneybarn No.1 Limited incorrectly reported missed payments on his credit file.

What happened

On 6 May 2017, Mr M was supplied with a used car through a conditional sale agreement with Moneybarn. He paid a deposit of £400 and the agreement was for £6,595 over 60 months; with monthly repayments of £271.17.

Mr M started missing payments in July 2017, with direct debits not being paid and charges and fees being applied. Mr M also made some manual payments for less than the contractual amount. This meant that, in February 2019 when Mr M started to make regular payments by direct debit, he'd built up an arrears balance. In September 2019 this stood at £1,012.38 – the equivalent to almost four monthly payments - and Mr M then started to clear this balance by paying an additional £30 a month. The agreement was cleared in full in July 2022.

Mr M complained to Moneybarn that he'd not received any notice of any arrears, or that they'd ever told him they would report any missed payments on his account – he said that he'd maintained payments to the agreement since 2019, so no arrears should be reported.

Moneybarn explained that, while Mr M was in arrears with his agreement, they'd reported his arrears to the credit reference agencies, which was something they were legally required to do. And, because of this, they didn't think they'd done anything wrong.

Mr M wasn't happy with Moneybarn's response, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator said that Mr M's account had been in arrears, and Moneybarn were required to report the arrears even if Mr M was making his normal monthly payment. And he hadn't seen anything to suggest the arrears figure being reported was incorrect. So, he didn't think that Moneybarn had done anything wrong.

Mr M didn't agree with the investigator. He said that Moneybarn never told him that his credit file would be marked as missed payments while he was still making payments. He didn't think they'd been honest or transparent with him and they'd damaged his credit by doing so.

Because Mr M didn't agree with the investigator, he's asked for an ombudsman to make a final decision.

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've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr M was supplied with a vehicle under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

Before I go any further, I think it would be useful for me to explain how arrears should be reported by the credit reference agencies. The credit reference agencies should report the amount in arrears, and not whether any specific payment has been made. Although in some instances, this will be the same.

This means that the total amount of arrears is calculated, and this should be expressed as the number of payments the arrears are equivalent to. For example, in Mr M's case, if the total arrears were between £271.17 (the value of one payment) and £542.34 (the value of two payments), then the credit reference agencies should report this as a '1', meaning the account is more than one month but less than two months in arrears. And the '1' doesn't necessarily mean that the latest payment has been missed.

So, where there is an amount in arrears that equates to a number of months payments, and those arrears are being slowly reduced over the term of the agreement, then the number of months in arrears being reported will slowly reduce until such time as the arrears have been repaid, and '0' months in arrears is reported. And, just because contractual payments are being made in the meantime (with or without any contribution to the outstanding arrears), this doesn't mean that the value of the arrears isn't reported.

Based on the evidence I've seen, it doesn't seem to be disputed that Mr M was in arrears, due to difficulties in making the payments between July 2017 and February 2019. And I've seen that Moneybarn sent him regular statements showing what was due, what had been paid, and what the shortfall (arrears) was. And they also sent him a Notice of Sums in Arrears every six months.

In addition to this, I've seen that Moneybarn sent Mr M letters confirming his account was in arrears on 13 November 2018, 12 March 2019, and 19 December 2020. These letters all confirmed that *"we must report arrears to the relevant credit reference agencies, which could have an impact on your ability to obtain credit in the future."*

Given this, I'm satisfied that Moneybarn clearly told Mr M how much his arrears were on a number of separate occasions, and that they would be reporting the arrears to the credit reference agencies. I also think it's reasonable for someone to expect that the conduct of their finance agreement, and any arrears, is reported to the credit reference agencies.

As such, I don't think Moneybarn did anything wrong by reporting Mr M's arrears to the credit reference agencies. And I haven't seen anything that shows me that Moneybarn incorrectly reported the amount of arrears to the credit reference agencies. Because of this, I won't be asking Moneybarn to change what has been reported.

However, I've also seen a copy of what is actually being reported by one of the credit reference agencies (the screenshot provided by Mr M doesn't make it clear which particular agency it is). And this shows that the arrears aren't being reported in the traditional way I'd expect i.e. a number to show how many months in arrears the account is, as explained above. Instead, this agency is reporting a tick when the account is up to date, and a cross when it isn't. It also says that a cross relates to a missed payment.

As such, I can understand why Mr M believes Moneybarn are reporting missed payments when he was actually making payments of more than the contractual monthly payment from September 2019 onwards. But this is an issue with how this particular agency are reflecting the information they've been provided with, not with the information that's been provided. And I've not seen anything to show me that the agencies who report in the traditional numerical way are reporting the information in the same way as this agency. Given this, and that Moneybarn aren't responsible for how the credit reference agencies display the data they've been provided with, this is something Mr M will need to raise with the agency in question.

My final decision

For the reasons explained, I don't uphold Mr M's complaint about Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 January 2023.

Andrew Burford
Ombudsman