

The complaint

Mr L has complained that Bank of Scotland plc (BoS) incorrectly recorded three missed payments on his credit file when it cancelled an authorised overdraft on his student bank account without his knowledge.

What happened

Mr L had a student account with an agreed overdraft limit of £1,500 at 0% interest. From late 2019 there was no activity on the account and so in April 2020 BoS began sending Mr L online notifications that he needed to pay money in on a regular basis to allow the overdraft to stay open. Notifications in May and June 2020 warned him that the overdraft would be removed if he didn't respond. Because it hadn't heard from him, BoS then sent a notification in July 2020 that the overdraft had been removed.

Between August and October 2020 Mr L was sent letters by post in relation to having to get the account back on track and pay off the outstanding balance. However, BoS was sending these letters to an incorrect address.

In late October 2020, Mr L noticed what was happening on the account, contacted BoS and made an arrangement to pay. The outstanding amount was paid back in full in October 2021. However, because the overdraft was withdrawn in July 2020, that resulted in BoS recording three 'missed payments' on his credit file.

Our investigator upheld Mr L's complaint and recommended that BoS should remove the missed payments from the credit file and pay £1,000 compensation, to which BoS agreed. Mr L disagrees with the investigator's opinion as he believes the compensation amount should be much higher. The complaint has therefore been passed to me for a 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.

The Financial Ombudsman Service was established to be a quick and informal service. This doesn't mean we apply any less rigour or care in reaching our decisions. However, it does mean that we might not address each and every point in the way that Mr L might have been expecting. So, whilst I can assure Mr L that I have read all of the information he has provided, I intend to concentrate on the crux of the matter at hand.

BoS sent its letters between April and July 2020 to Mr L's online account only. It did this because Mr L had elected paperless communication when setting up the account. Mr L says he had no reason to log into his online account because he was satisfied that he was within his approved overdraft and that it was at 0% interest. I appreciate that Mr L didn't need to check his balance but he should have kept an overview of the account in terms of looking out for important communication from BoS. I appreciate Mr L thinks that BoS should have called him but, overall, I'm satisfied that it was reasonable that notifications during this period were sent online only.

The problems really arose when matters became more pressing in August 2020. BoS quite rightly started to send its more serious letters by post. However, due to an error on its part, BoS sent the letters to an address that Mr L hadn't lived at since 2012.

There's no dispute about this and that it caused Mr L inconvenience. BoS has agreed to amend the credit file by removing the missed payments. The outstanding issue is about the level of compensation that BoS should pay for its failings. Mr L has asked for differing amounts during the course of the complaint. Most lately he says he has taken legal advice that his claim would be worth thousands but likely below £10,000.

Although Mr L has said that court fees would be costly for BoS and so a deal should be brokered on that basis, that is not something I would take into consideration. In looking at what compensation to award, I look at the failings that have occurred and the effect this has had on Mr L, in an attempt to return him to the position he would have been in if the failings hadn't occurred. As our investigation has mentioned, our approach to compensation is set out on our website and awards for distress and inconvenience are relatively modest in comparison to Mr L's expectations.

Mr L has previously provided a breakdown of the compensation he was requesting, including amounts for impact on his mental health, time taken in dealing with the complaint, loss of property and other investment opportunities and loss of general finance opportunities such as not being able to buy a car.

I've thought very carefully about what Mr L has said about lost investment and purchasing opportunities. Having the three missed payments showing on his credit file would certainly have caused Mr L some inconvenience. But, based on the available evidence, I'm not persuaded that they had the significant financial impact that Mr L has set out in his submissions.

I have no doubt that this would have been a very stressful time for Mr L. This was made particularly so because BoS was initially insistent that Mr L had failed to update his address and that it was therefore correctly sending the letters to the address it had on file. It wasn't until Mr L made a complaint to the Information Commissioner's Office that it transpired that an error came about when BoS carried out an address merge, resulting in an old address being applied to Mr L's student account. So Mr L was put to additional time and trouble in trying to get to bottom of this issue himself. The £1,000 compensation recommended by our investigator is at the higher end of the awards we usually make for similar failings by a bank. So I think this takes account of the length of time it has taken to resolve the complaint and the efforts that Mr L has had to make.

Overall, I consider that £1,000 compensation is a fair and reasonable way to resolve this complaint, together with the removal of the missed payments from Mr L's credit file.

My final decision

For the reasons set out above, my decision is that I uphold Mr L's complaint and require Bank of Scotland plc to remove the missed payments from Mr L's credit card and pay him £1,000 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 23 May 2023.

Carole Clark

Ombudsman