

The complaint

Miss H complains Metro Bank PLC (trading as RateSetter) recorded incorrect adverse information on her credit file.

What happened

In October 2022 Miss H contacted Metro to explain she would be unable to make her payment in November as she was changing jobs and therefore the date she received her salary would be changing. Metro explained they could put a 'short term hold' in place which meant she didn't need to make her payment in November, and she could make up her arrears later on.

Miss H says she was told the short-term hold wouldn't impact her credit file so she agreed to it. However, Metro recorded an arrangement on her credit file, which she says has impacted her financially. Metro say they made it clear to Miss H the short-term hold would be recorded as an arrangement on her credit file.

Our investigator upheld the complaint. He said Metro told Miss H that the short-term hold would be recorded as an arrangement on her credit file but that Metro failed to explain that she should seek advice if she was concerned about the impact on her credit file, so he awarded £300.

Metro disagreed so the complaint was passed to me to consider. I issued a provisional decision, an extract of which is included below.

"What I've provisionally 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.

Short-term hold

The key piece of evidence here is the phone call recording between Miss H and Metro where the short-term hold was discussed. I've listened to this call.

It was clear that Miss H's credit file was important to her because she asked questions about the impact the short-term hold would have on her credit file on a number of occasions during the phone call.

Metro explained Miss H's credit file will show that she is in an arrangement with them which will show as an 'I'. And that whilst the loan isn't paid, it'll be in arrears but because a short term hold has been agreed it'll show as an arrangement. So I think Metro did communicate to Miss H what would be showing on her credit file. But I don't think Miss H realised this would have a detrimental impact as this wasn't explicitly communicated to her by Metro. And it's evident Miss H didn't really understand because she asked about her credit file again in the call.

Later on in the call Miss H says 'so even though it'll be arrears on my account it won't actually affect my credit file'. Metro reply to say 'no, it'll just show like I say, in an arrangement'. I think this particular part of the call was inaccurate because Metro answered 'no' to Miss H's question. And I think this gave the impression Miss H's credit file wouldn't be impacted. Metro also added 'it'll just show like I say, in an arrangement', which had been discussed with Miss H earlier on in the call. Although Metro had communicated to her that's what would show on her credit file, Metro didn't follow this up to clarify her credit file would be adversely impacted before the call ended.

So taking everything into account, I think Metro had the opportunity to explain an arrangement would have an adverse impact on her credit file when she asked, but it failed to do so.

Miss H went ahead with the short-term hold but she says had she known her credit file would be impacted she would have asked friends and family for money to cover the payment that was due. I think this is likely because Miss H's credit file was important to her, and as I understand it, Miss H borrowed money from family and friends in order to make one of her payments after the short-term hold had been in place. So I think had Metro been clearer, Miss H wouldn't have accepted the short term hold and her credit file therefore wouldn't have been impacted.

Redress- credit file

I think Miss H would've avoided adverse information being recorded on her credit file had Metro been clearer with her about the impact of the short-term hold. It's my understanding that Miss H bought her account up to date in January 2023 so Metro has recorded adverse information up until that date. It follows that I think Metro should remove any adverse information it reported from October 2022 until January 2023 as this will put Miss H in the position she would've been in had she not gone ahead with the short term hold.

Redress- financial loss

Miss H has said the impact of the adverse information has caused her to incur a financial loss. She says she holds a credit card account elsewhere and that her limit reduced significantly as a result of the adverse information Metro recorded. She's said she was intending on using this credit card account for a balance transfer but is now unable to do so because the limit has been reduced. As a result, she is now paying higher interest, and will be for some time.

I've not seen any evidence to show Miss H's credit card limit was reduced purely because of the adverse information recorded by Metro, or that she is worse off financially because she's been unable to carry out the balance transfer. And there is no guarantee her credit limit would have remained indefinitely. So as it stands, I don't intend to award Miss H any financial loss regarding her credit card interest.

Redress- compensation

I have however considered the distress and inconvenience this has caused to Miss H and I think the impact of the adverse information had a greater impact than it may have ordinarily caused to someone else in this situation.

I say this because it was clear during the phone call that Miss H's credit file was important to her. She asked questions about the impact of the short-term hold on a

number of occasions. Towards the end of the call Miss H asks a further question about whether her credit file would be impacted, and Metro answered 'no', so I can understand why Miss H had the impression her credit file wouldn't be adversely impacted.

In Miss H's mind, she'd done what she could to ensure her credit file wouldn't be adversely impacted by the short-term hold. So I realise this was very upsetting and disappointing for her when it transpired this wasn't the case. And I can understand why Miss H was taken by surprise when she discovered the information recorded by Metro had impacted her adversely.

I am also aware that Miss H faced further frustrations, for example when Metro incorrectly advised her they were reporting incorrect information on her credit file and that they were reflecting the payment as late, which was incorrect. I can understand why Miss H would have been concerned about this, and that it also added confusion at the time. I can see that there were a number of phone calls about this in December where Miss H had to repeat herself and she wasn't given an accurate answer by Metro. Metro offered Miss H £25 to put this right but Miss H remained unhappy. It's my understanding that this hasn't been paid to date.

Taking everything into account, I think Metro should pay Miss H £300 (including the £25 already offered) for the distress and inconvenience it caused to her overall".

Metro and Miss H replied to say they accepted my provisional 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.

As both parties accepted my provisional decision, I see no reason to depart from it.

My final decision

My final decision is that I uphold this complaint. Metro Bank PLC (trading as RateSetter) should pay Miss H £300 in total and remove the adverse information it has recorded.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 2 June 2023.

Marie Camenzuli
Ombudsman