

The complaint

Mr C complains that Moneybarn No. 1 Limited is unfairly reporting information to the credit reference agencies in respect of an outstanding balance arising from a conditional sale agreement that has ended.

What happened

In May 2018 Mr C entered into a five-year conditional sale agreement for a used car. The monthly payments were set at £335, and the total outstanding amount was £20,180.34.

Unfortunately, after taking out the agreement Mr C's financial circumstances changed. Following discussions with Moneybarn, Mr C decided to voluntarily terminate the agreement and return the car in November 2018. Once the car was sold and the funds put towards the outstanding amount there was a balance of £8,684.39 remaining.

In September 2022 Mr C agreed to a payment plan to clear the balance at £100pm. He made payments in September and October 2022 reducing the balance to £8,484.39.

In November 2022 Mr C contacted Moneybarn to discuss the payment plan as he had affordability issues at that time. It was agreed with the agent that the payment plan would be cancelled, and his account put on hold for three months. Mr C asked about the impact this would have on his credit file and was advised that although Moneybarn would report the outstanding balance this would not have a negative impact. Moneybarn says it has been reporting "U" for "Unclassified" for this account and that this is a neutral marker so is neither regarded positively or negatively by lenders.

Mr C says that he was later declined for a mortgage and was advised the reason for this was due to the recording of the outstanding balance on his credit file. He complained to Moneybarn about the outstanding balance being reported by it.

Moneybarn didn't uphold his complaint. It said it hadn't reported any markers for Mr C's credit file that had a negative impact. It said Mr C hadn't been misinformed or given any information incorrectly by its agents.

Mr C was unhappy at the response from Moneybarn and complained to this service. He said it would be fair for the balance to be removed from his credit file as the agreement was showing as settled.

Our investigator didn't recommend that Mr C's complaint should be upheld. He said that Moneybarn had an obligation to report accurate information to the Credit Reference Agencies and this was that the account had been settled/closed and that there was an outstanding balance. Our investigator said that the outstanding balance itself wouldn't have a negative impact unlike markers for missed or late payments. He said Moneybarn had been reporting the account as "U" which was neutral. Our investigator said that he didn't think Moneybarn had reported anything that wasn't untrue.

Our investigator also said there could be a number of reasons for a mortgage to be declined

and it was difficult to say an application had failed for one specific reason but in any event Moneybarn had correctly reported the balance.

Mr C disagreed with our investigator's view. He said he had been told this balance appearing on his credit file was the reason his mortgage had been refused. Mr C also said that as there was no credit agreement in place then this balance should be removed from his credit file, and he would settle with the company. He said the information being reported wasn't accurate.

As the parties were unable to reach an agreement the complaint has been passed to me.

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've seen that when Mr C voluntarily terminated the conditional sale agreement and returned the car in November 2018 there was an outstanding balance remaining which Mr C was liable to clear. So, although terminating the agreement in this way did end it, Mr C's liability to the outstanding amount remained. Looking at the figures provided, I haven't seen anything that would suggest there is an error in the amount of £8,684.39 being outstanding following the voluntary termination.

All finance providers are under an obligation to report accurate and fair information to the credit reference agencies as to how consumers have managed their credit accounts. So, I think Moneybarn was obliged to report the outstanding balance here. I wouldn't ask it to remove it because the agreement has been ended. As set out above, the balance is still required to be cleared by Mr C.

Mr C says that the information isn't accurate because it shows as a new account and doesn't show that the balance has been reducing. He has provided a recent copy of this account as it shows on his credit file. But looking at this screenshot, I can see that Moneybarn has always been reporting the balance as "U" which is, as stated, a neutral marker and wouldn't be taken as either a positive or negative indication by a lender.

I think the use of "U" is fair as Mr C has been experiencing financial difficulties and not made payments but is working with Moneybarn to clear the balance. No negative markers have been recorded on the account.

I've also seen that the amount of the balance appears to be correct at £8,484 as this has taken into account the two £100 payments made by Mr C. No payments have been made since October 2022.

The screenshot states that the status of this account as of May 2023 is "*The account was recently opened (no payments yet) or is currently unclassified*". I don't think Moneybarn has reported this as a new account, rather this just the explanation provided by the credit reference agency when "U" has been reported. I think it's clear that here, the report for this account is that it is neutral.

So, I don't think Moneybarn has reported anything to the credit reference agencies that is incorrect or unfair.

I appreciate Mr C was distressed to be declined for a mortgage and as explained by our investigator this can happen for a number of reasons. I'm unsure why he was told this balance showing on his credit file was the reason since this information isn't in itself a

negative factor. And I also don't think Moneybarn has misled him about the impact of this balance being reported although, as set out above, I think Moneybarn was obliged to report the information that it has.

For the reasons given and although I appreciate this will be of disappointment to Mr C, I'm not upholding his complaint and I won't be asking Moneybarn to remove this account from his credit file.

My final decision

For the reasons set out above, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 September 2023.

Jocelyn Griffith
Ombudsman