

## **The complaint**

Mr B complains that MBNA Limited incorrectly recorded a default on his credit card account and that this information had a significant impact on his mortgage plans.

## **What happened**

In late 2021, Mr B became aware of several fraudulent transactions on his credit card account and contacted MBNA. Mr B was told that the fraudulent transactions had been flagged, but MBNA went on to register a default on the credit card account. Mr B contacted MBNA in December 2022 and complained that when he applied for a joint mortgage the application had been declined due to adverse credit information. Mr B said his new lender would only provide a reduced mortgage in the name of his wife and that he had to raise additional funds by selling shares.

MBNA upheld Mr B's complaint and said it should have done more to ensure the balance didn't stay on Mr B's card account as this resulted in a default being registered. MBNA apologised and offered to pay Mr B £100 for the inconvenience this had caused in relation to the mortgage application. MBNA has since corrected Mr B's credit file.

Mr B brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought MBNA should pay Mr B £400 to reflect the distress and inconvenience its error caused Mr B.

Mr B asked that an Ombudsman decides the complaint.

## **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.

MBNA accepts it should have done more to prevent Mr B's credit card account being defaulted. So, my decision will focus on what is a fair and reasonable remedy in the circumstances of this complaint.

MBNA believes Mr B should have told it of his new address much sooner than he did as it had sent a new card to his old address and suggest this may have contributed to the fraudulent activity. I've considered this, and although I think Mr B should have updated MBNA sooner, Mr B did contact MBNA as soon as he realised there was fraudulent activity on his card account - in December 2021 – and MBNA notes confirm it accessed Mr B's account using his old address. The account notes provided show that after December 2021 letters it sent to Mr B's old address were being returned as 'gone away', so it's more likely than not MBNA hadn't changed the address at the earliest opportunity. Regardless of this, MBNA went on to register the default after Mr B had reported the fraudulent transactions, and ultimately didn't take steps to remove the outstanding card balance that led to the default being registered. And, because I haven't seen any evidence MBNA notified Mr B of the default to his new address, I'm satisfied it would have been a shock when Mr B found out what had happened.

Mr B says he's suffered a financial loss and inconvenience as a consequence of the default being registered - he had to sell shares to assist his wife in securing a reduced mortgage, and the property he intended purchasing in joint names is now in his wife's name only. Mr B provided documents supporting that he sold shares and a letter from his mortgage adviser confirming the mortgage – and the property - is in Mr B's wife's name only.

I think it's fair and reasonable for me to conclude that the adverse credit information MBNA recorded significantly disrupted Mr B's plans to purchase the property in joint names. I've no doubt Mr B was shocked when the joint mortgage application was declined, and he was caused some significant inconvenience when the purchase of the property had to be completed in his wife's name only. Any remedy needs to reflect this loss of opportunity and the shock and inconvenience this caused Mr B.

Regardless of the declined joint mortgage, Mr B and his wife decided to purchase the property in Mr B's wife's name. As Mr B's wife could only borrow a reduced amount, further funding was required to complete the purchase and Mr B decided to cash in some shares to fund this. From the information Mr B has provided, I think it's more likely than not he sold shares at a lower price than he bought them - and at a time when he didn't want to sell them. Mr B says he intends transferring the property into joint names and taking out a new mortgage in joint names, as this was always his intention. I can't be sure how much this re-mortgage would be for, nor can I be sure whether Mr B will decide to re-purchase the shares he encashed to assist with the purchase – that will be a decision for Mr B in the future – but the current share price of the shares Mr B sold is now lower than the price he sold them at. If Mr B and his wife did re-mortgage for the intended amount, which Mr B suggests is likely to be the case, then it's likely he may be able to re-purchase the shares he sold at the same price or lower than when they were sold. Buying and selling shares will always carry a financial risk and I think it would be unfair and unreasonable – and too speculative - for me to decide that the actions of MBNA were responsible for any loss on the shares Mr B sold.

Mr B says MBNA's is indirectly responsible for the lender who declined the joint mortgage recording details of the failed application on his credit file. This is really matter between Mr B and the mortgage lender as I'm satisfied MBNA has now done what it needed to correct the information on Mr B's credit file. I can't consider the actions of the mortgage lender and what it recorded on Mr B's credit file in this complaint, but Mr B can ask for a notice of correction to be added to his credit file if he wants prospective creditors to be aware of the circumstances surrounding an entry that might affect a future credit application. Mr B does subscribe to a credit reference agency, although many Banks and other institutions now offer free credit score information, and he may want to apply to add a notice of correction that provides an explanation of what happened to a prospective lender.

I'm satisfied MBNA's failure to remove the outstanding balance on Mr B's credit card – which led to a default and missed payments being recorded on his credit file – caused Mr B significant distress and inconvenience and meant that Mr B missed the opportunity of purchasing a property in joint names with his wife. I've seen evidence that MBNA has corrected Mr B's credit file, but this took longer than it should have as it initially didn't remove the missed payment markers it had recorded. To reflect the significant distress and inconvenience of having to change his plans to purchase the property in joint names – which likely took a lot of effort to sort out – I've decided that MBNA should pay Mr B £400.

### **My final decision**

For the reasons I've detailed above, MBNA Limited should pay Mr B £400 to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 21 November 2023.

Paul Lawton  
**Ombudsman**