

## **The complaint**

Miss L complains that Shop Direct Finance Company Limited (“Very”) has declined to amend information it has reported on her credit file, which she thinks should be recorded differently.

## **What happened**

In October 2012 Miss L entered into a Debt Arrangement Scheme (“DAS”) to deal with her creditors, including Very. The DAS was varied in 2013 and as I understand it, Miss L made the approved payments until completion in February 2022. More recently, Miss L became concerned that the way Very has reported the DAS was having an adverse impact on her credit score, which will affect her ability to get a mortgage loan.

Miss L complained to Very, who told her that the information recorded – that she had been in an ‘arrangement to pay’ until February 2022, and that the account was up to date or inactive since then – was an accurate reflection of the account conduct. It wasn’t willing to amend the data, so Miss L referred her complaint to us.

Our investigator was satisfied that Very had correctly reported the DAS as an arrangement to pay, noting the 2013 variation confirmed by Miss L’s DAS administrator. He also noted that the debt appeared to have been settled and was no longer showing as being in an arrangement. Miss L questioned why her credit file wasn’t showing the account as settled in line with her other creditors and information from her DAS administrator. She also said she’d asked Very to close the account, which had a zero balance.

The investigator put this to Very and suggested it amend Miss L’s credit file accordingly. Very said that a settled account is considered a negative entry on a credit file, and the information it was recording wasn’t detrimental and is looked on more favourably by lenders. It didn’t agree to change what it had reported so the matter was passed to me for review.

## **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.

In doing so, I’ve had regard for what the Information Commissioner’s Office (“ICO”) says about how lenders should report a situation like Miss L’s to a credit file<sup>1</sup>.

I’m conscious that Miss L feels the way Very reported her DAS means she’s worse off than if the lender had defaulted her account. I don’t share that opinion, but in any event I can’t in the circumstances that apply in this case properly tell Very to treat the account as if she had defaulted. That would mean requiring Very to report inaccurate and incomplete data, which goes against the ICO Principles.

The Principles say that when a lender agrees a reduced or revised payment with a borrower (which is the situation in a DAS even if the lender is compelled to agree by operation of law),

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<sup>1</sup> see ICO publication ‘*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*’ (Version 2a Published July 2016 (updated to refer to GDPR and DPA 2018))

this arrangement will be reflected on their credit file. The Principles also say that unless the borrower breaks such an arrangement, a default would not normally be registered. With this in mind, I'm satisfied with the accuracy of the information Very reported on Miss L's credit file during the period she was in the DAS.

However, that can't rightly be said for the information Very has reported since Miss L completed her DAS in February 2022. Once the DAS was completed, Miss L owed no further money to Very. The account balance on her credit file is correctly reported as zero. But in this respect the ICO Principles say the following:

*"If you make a full or part payment and no further money is expected, the account should be closed unless you have agreed with your provider to continue your relationship."*

I've seen nothing to suggest Miss L agreed to continue her relationship with Very. Indeed, she says she asked Very to close the account. So that's what should have happened. As the DAS had the effect of setting the total amount Miss L was required to pay, she has paid what she owes in full. The ICO Principles indicate that where – as here – the account is to be closed, the credit file should show it as fully paid (or settled).

I've noted Very's response to our investigator explaining why it hasn't taken those steps. I don't think it's entirely correct to say that a settled account is viewed negatively by lenders, though even if it is, that doesn't justify the apparent failure to comply with the ICO Principle or Miss L's closure instruction. I therefore direct Very to amend the information it has reported to Miss L's credit file, to show her account as closed with a status of 'settled' – not 'part-settled' – effective from 21 February 2022 when she completed her DAS.

### **My final decision**

My final decision is that Shop Direct Finance Company Limited must, within 28 days of receiving Miss L's acceptance of this decision, amend her credit file as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 1 September 2023.

Niall Taylor  
**Ombudsman**