

## **The complaint**

Mr S has complained that Credit Karma UK Limited allowed a partnered company to carry out soft searches on his credit file.

## **What happened**

Credit Karma updated its platform for some customers, including Mr S. An error in the update meant that some soft searches were added to his credit file. These soft searches were from a company partnered with Credit Karma, which I'll refer to as M.

Mr S initially spoke to M, then to Credit Karma. Credit Karma responded the same day, apologised, and explained what happened. They reassured Mr S that only he could see the soft searches on his credit file and it wouldn't impact him at all, and that their engineers had fixed the problem. They offered him £50 compensation, then later increased this to £100.

Mr S came to our service. He said when he saw the searches he was worried he'd been hacked. He felt Credit Karma had made repeated data breaches. He wanted them to face wider action and for him to receive more compensation based on each breach.

Our investigator looked into things independently. They explained that we're not the regulator and only look at individual complaints. They explained the soft searches wouldn't affect Mr S. They found Credit Karma's offer of £100 compensation to be fair. They suggested that Credit Karma should also help Mr S remove the soft searches if he wants, though they couldn't guarantee this would work as it was out of Credit Karma's control.

Mr S wanted to take things further, so the complaint's been passed to me to decide.

## **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 should first explain that we are not a regulator. It's the Financial Conduct Authority (FCA) who regulate financial businesses, and the Information Commissioner's Office (ICO) who look after data protection issues more widely. We're here to informally resolve individual complaints about individual situations. So it is not within my jurisdiction to consider how this affected other customers – just Mr S. It is also not within my jurisdiction to consider what wider action Credit Karma should or shouldn't take. In this complaint between Mr S and Credit Karma, I'm just here to look at what happened between Mr S and Credit Karma.

I should also explain that when Mr S signed up with Credit Karma, he agreed to the terms and conditions. The terms explain that as part of their service, Credit Karma work with other financial services companies to check customers' eligibility for products, which will involve soft searches being left on one's credit file. This also involves giving those partners one's personal data. One of those partners is M.

So Mr S did agree for Credit Karma to share his data with partners such as M, and to potentially have soft searches done on his credit file. It's just that these particular soft searches were carried out by mistake.

In terms of putting that mistake right, my first concern is that Mr S wasn't caused any financial impact. And I'm glad to see that here, he wasn't. Only Mr S can see the soft searches on his credit file – his lenders or potential lenders cannot. These soft searches won't affect his financial standing or future applications, or really have any material effect for Mr S at all.

Next, I've thought carefully about the non-financial impact this had on Mr S. He described his anxiety and frustration, and I'm grateful to Mr S for being open and candid with us about how he felt here.

I do need to keep in mind that Credit Karma responded very quickly when Mr S got in touch with them. They swiftly apologised, fixed the underlying error, and reassured Mr S that this wouldn't have any effect on his credit standing. It's also worth bearing in mind that as we're not a regulator, we're not here to issue fines or to punish businesses. And we don't issue compensation based on a per-issue rate as Mr S suggested we should. Instead, we take into account the overall way things were handled and the impact this had for the customer, alongside our guidelines for compensation. Taking everything into account, I find Credit Karma's offer of £100 compensation to be fair to put things right here.

I understand that Mr S may be unhappy with his data continuing to be stored with Credit Karma or M. Credit Karma did offer to close Mr S's account and delete all the data of his that they hold, if he wants. M will be able to do the same – though Mr S would need to get in touch with M directly if he wants them to do that. Credit Karma can't delete all the data that M holds, as Credit Karma and M are separate businesses.

I also understand that Mr S might like the soft searches to be removed. I should reiterate that it won't make any meaningful difference to his credit file whether the soft searches are there or not, since only Mr S can see them. And as our investigator explained, Credit Karma can't remove them as they don't own the data on his credit file.

Credit Karma does have a function to help customers raise disputes. So it seems right that they use this function to help Mr S dispute the searches, if he wants to dispute them. But I do need to be clear that Credit Karma cannot guarantee they'll be removed. M added the searches, and they're stored by the credit reference agency, so it's up to M and the credit reference agency to remove them. Credit Karma can only provide limited assistance, and if they're unable to get the searches removed then Mr S would need to take things further with M and the credit reference agency directly. As the soft searches in question don't have any material effect on Mr S's file whether they're present or not, I will leave it up to Mr S to decide how much effort he wishes to expend on them.

**My final decision**

I direct Credit Karma UK Limited to pay Mr S the £100 compensation offered, and to help him raise a dispute for the erroneous soft searches (if he wishes to dispute them).

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 October 2023.

Adam Charles  
**Ombudsman**