

The complaint

Mr W complains that PCF Bank Limited recorded incorrect payment information on his credit file causing him financial loss, distress and inconvenience when he later applied for mortgage borrowing.

What happened

Mr W was interested in adding to his property investment portfolio. During December 2021 he viewed several properties and approached a broker to source a suitable lender for a remortgage. But in January the broker told Mr W the lender they'd approached, "T", had declined an application for a decision in principle because of adverse credit information.

Mr W says he checked his credit file with credit reference agencies but these showed nothing of concern. As I understand it, his broker suggested that he could approach alternative 'sub-prime' lenders. But Mr W declined to take this action as the information he could see indicated he had a good credit score. He put his plans on hold until May 2022.

At that point, Mr W found another property but his request for a decision in principle – made through a different broker – was again declined by the proposed lender. Following some further checking Mr W found that one of the credit reference agencies held information from PCF that wrongly indicated he'd entered into a payment arrangement with PCF.

Mr W says that he contacted PCF and that it immediately admitted the information was incorrect. Although PCF corrected the information and Mr W was able to get a mortgage, he says it's at a higher interest rate than he would have been able to get in January 2022. He's also said that property values increased in the meantime, causing further expense. He wants PCF to compensate him for the additional costs, which he assessed as at least £100,000. In support of his claim, Mr W provided correspondence from both of his mortgage brokers to say that the decisions in principle were declined due to the information reported by PCF.

In response to Mr W's complaint, PCF acknowledged it had wrongly reported the information to the credit reference agency. It offered to pay him £500 to reflect his distress and inconvenience. PCF also said it would be willing to consider a further compensation if Mr W could show that its error had caused him the losses claimed and that he had taken reasonable steps to mitigate those losses.

PCF didn't consider it should be responsible for the losses claimed from January 2022. It said if Mr W had looked into his credit file in more detail at that point, it could have corrected it within 10 working days, as it did when he contacted it in May.

Our investigator didn't think the evidence Mr W had provided was sufficient for him to recommend that PCF cover Mr W's claimed additional mortgage costs. He wasn't persuaded that Mr W would otherwise have been able to proceed with his mortgage plans. What had been declined was a decision in principle, which was some way short of a full mortgage underwriting exercise.

Further, the investigator felt that Mr W could have done more to deal with the situation in

January 2022, such as approaching other lenders or looking more closely at the apparent discrepancy in the reason for the declined decision and the information on his credit file.

Our investigator felt PCF had made a fair offer to reflect the difficulties Mr W experienced in having to sort out his credit file. But Mr W didn't agree and has asked for this 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.

I've little doubt the credit file entry PCF wrongly recorded had a bearing on the lending decisions. The information provided by Mr W's brokers suggests this. Once PCF corrected the credit file marker he appears to have been able to proceed with a mortgage. And of course, it's reasonable to expect payment information to have an impact on a person's ability to obtain credit; that, after all, is part of the purpose of sharing such data via credit reference agencies.

It also seems fairly clear Mr W was caused concern and inconvenience in getting the information corrected. It's only right that he receives compensation for this. The £500 PCF proposed seems to me a fair way to recognise his distress, time and trouble.

That leaves the question of the extent to which PCF might be liable to compensate Mr W for his claimed losses. I've looked carefully at the evidence Mr W's provided in support of his claim for additional mortgage costs. But having done so, I don't find that PCF is liable to him for these.

It's not enough that the information PCF wrongly reported was the cause (or even just the primary cause) for the rejection of his decision in principle applications. In order for me to say that PCF should compensate him for loss I also need to be satisfied on at least the following points:

- that, but for the information PCF recorded, Mr W would have obtained the mortgage at the stated rate and proceeded to purchase the investment property; and
- that Mr W took reasonable steps to avoid the loss or harm caused by PCF's error; and
- the loss in question would have occurred even if Mr W had taken reasonable steps

There are many stages between making an offer on a property and completion of a purchase. While one of these is a decision in principle, as our investigator noted a successful mortgage application usually requires further underwriting checks including an affordability assessment as well as a suitable property valuation. It will ultimately depend on the prospective lender's appetite for the overall proposition. In addition, completion further depends on a vendor's willingness to proceed with the sale, which they weren't bound to do.

Given the number of variables in play in the course of the purchase and bearing in mind that the arrangements were at best at a preliminary stage, I'm not minded to say that Mr W has provided sufficiently persuasive evidence to support his claimed loss.

I'm also not satisfied that Mr W took reasonable steps to limit the loss or harm caused by the incorrect entry on his credit file. In January 2022, Mr W was aware that there was a discrepancy between the reason for the decline decision and the information on his credit file. He was on notice that something wasn't right, and in my view it would have been

reasonable for him to take more steps than he did at that time to deal with the situation. I don't consider that this required specialist knowledge.

I also think it's relevant that, when Mr W received the initial decline decision, it appears he had the opportunity through his broker to apply to alternative lenders if he wanted to proceed with buying the investment property. Although I understand he had his reasons for not doing so, I don't think it would be reasonable to hold PCF liable if property prices and/or interest rates subsequently moved against him.

Because I'm not persuaded on the first two bullet points I've detailed, the third point isn't engaged. I appreciate, of course, that Mr W feels aggrieved at PCF's actions, and why he believes that he's significantly lost out. However, for the reasons I've explained here, I'm satisfied PCF has made a fair and reasonable offer in resolution of his complaint.

My final decision

My final decision is that to settle this complaint PCF Bank Limited should pay Mr W £500, as it has already offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 September 2023.

Niall Taylor
Ombudsman