

The complaint

Mrs M complains Creation Consumer Finance Ltd (CCF) failed to correct adverse information they'd recorded on her credit file which affected her mortgage application.

What happened

Mrs M had two agreements with CCF. In October 2021 she made a payment she said to pay off her outstanding balance. In April 2022, after receiving arrears letters Mrs M complained to CCF. They said on receipt of the payment it had been applied to her account but as interest was applied daily a further amount had accrued. They also said it hadn't been made clear that the payment was to cover both agreements. And so, the payment had been applied to only one of the agreements. This caused the other agreement to show as being in arrears, which was then recorded on Mrs M's credit file. On review CCF said that it was clear that Mrs M's intention had been to pay off the balance of both agreements. They applied the payment across both the agreements and agreed to remove any accrued interest which they said had been correctly applied. They also said they'd remove the adverse reporting to Mrs M's credit file from October 2021 to May 2022, which usually took 28 days and close her account.

But in May 2023 when Mrs M was looking to remortgage, as her fixed rate mortgage was ending she found that the adverse information was still showing on her credit file. She said this caused her to be declined for a decision in principle mortgage offer (DIP) and she had to accept a new product at a higher interest rate. She complained to CCF.

CCF said their records showed that they'd agreed to remove the adverse information from Mrs M's credit file. They said their records showed this had been requested but they couldn't know whether they hadn't carried this through or whether the credit reference agencies hadn't acted upon their instructions. But as the adverse information was still being reported they offered Mrs M £125 in compensation for the upset caused.

Mrs M wasn't happy with CCF's response she said the DIP had been declined because of her credit score which had been impacted by the adverse information recorded by CCF. And due to the ending of her fixed rate mortgage she had to agree to a higher interest rate mortgage which had caused her a financial loss of £1,941.60. She referred her complaint to us.

Our investigator said that while the adverse information would have had some impact on Mrs M's mortgage application, she couldn't say this would be the sole reason for it. She said CCF should pay Mrs M in total £250 for the upset and inconvenience that had been caused to her.

Mrs M didn't agree and asked for an ombudsman 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 can understand it would have been frustrating and upsetting for Mrs M to be told her DIP was declined due to her credit score, as she understood that her credit file shouldn't have shown any negative information. In reaching my decision I will consider if CCF has acted reasonably in their actions with Mrs M, and whether the compensation they've offered is sufficient for the upset caused to her.

Mrs M says CCF's actions led her to missing out on the opportunity to secure a lower interest rate when she was renewing her mortgage. And that this has meant she has been impacted financially as she's having to pay a higher interest than she should have had to.

I understand the point Mrs M makes and it's important to say that while CCF say the information recorded had been correct, they did agree to remove the adverse information they'd applied to her credit file. And that this should have happened around June 2022. But having carefully considered the points raised I can't say that even if the DIP had been approved that it would automatically follow the mortgage would have also been agreed, as a DIP is only an indication to lend and not a formal mortgage approval. While Mrs M may not agree, there are other factors that can influence the formal mortgage agreement, and I haven't seen any evidence to show that if the DIP had been approved the lower interest rate mortgage would have been granted.

I can also see that the mortgage provider offered an appeals process. Mrs M said that she couldn't appeal the decline as the adverse information recorded by CCF fell outside of the mortgage providers lending policy. But Mrs M had the May 2022 final response letter from CCF that showed the adverse information recorded from October 2021 to May 2022 should have been removed around June 2022. I can't know that this would have changed the outcome, but I can't see that Mrs M looked to use this to mitigate any impact the adverse information had on her credit score during the DIP process.

So, on balance I don't think it's fair or reasonable for CCF to pay Mrs M for the financial loss she says she's incurred by having to accept a higher interest rate.

But both parties thought the matter had been resolved around June 2022 so it must have been upsetting to Mrs M to now find that the adverse information was still recorded on her credit file, after CCF had said it would be removed. And during a time when she was undertaking an important financial arrangement, which at the best of times can be stressful. While CCF has updated Mrs M's credit file, apologised to her and paid some compensation, as I would expect, like the investigator I don't think this goes quite far enough.

Putting things right

I support the investigator's view here that a further sum of £125 by way of compensation, in addition to what CCF has already offered to pay to Mrs M, so in total £250 is reasonable for the reasons I've already explained.

While Mrs M will be disappointed with my decision, I believe the extra amount of compensation is fair and reasonable in the circumstances.

My final decision

I uphold this complaint. And ask Creation Consumer Finance Ltd to pay Mrs M in total £250 for the distress and inconvenience caused to her.

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

reject my decision before 27 May 2024.

Anne Scarr
Ombudsman