

The complaint

Mr D complains about information recorded on his credit file by Vanquis Bank Limited after he raised a dispute.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr D has a credit card with Vanquis. In November 2022 Mr D raised a dispute concerning a payment for £15 that was taken from his credit card. Mr D explained the payment had been taken by an online fundraising website in error. When Mr D followed up with Vanquis in January 2023 it raised a payment dispute on his behalf. Vanquis says it went on to report a "Query" or "Q" marker on Mr D's credit file.

The dispute was ultimately upheld in Mr D's favour and a refund was made. The Q marker was removed from Mr D's credit file from February 2023.

Mr D's told us that a short time later he noticed his credit score had dropped substantially so looked at his credit file. Mr D found the Q marker being recorded by Vanquis. On the website of the business Mr D used to access his credit file, he found guidance that advised lenders could draw a negative inference from a Q marker being recorded on a consumer's credit file. Mr D complained to Vanquis and it issued a final response on 11 April 2023. Vanquis said it had correctly recorded the Q marker on Mr D's credit file to reflect the dispute he'd raised, in line with its normal approach. Vanquis added that it wasn't responsible for how a credit reference agency scored Mr D's credit. Vanquis offered Mr D £50 for the trouble and upset caused.

Mr D referred his complaint to this service and it was passed to an investigator. The investigator thought Vanquis had dealt with Mr D fairly and didn't ask it to take any further action. In response, Mr D said that Vanquis hadn't warned him that raising a dispute about a payment that was taken in error would be recorded on his credit file. Mr D added that he had supplied evidence to show the Q marker had led to a reduction in his credit score and didn't agree Vanquis' offer of £50 was a fair way to resolve his complaint. As Mr D asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've

focused on what I think are the key issues. My approach is in line with the rules we operate under.

The Steering Committee on Reciprocity (SCOR) is a cross industry forum made up of representatives from the credit industry, including the credit reference agencies. SCOR sets out guidance in its Principles of Reciprocity. SCOR confirms the main thrust of the Principles of Reciprocity is that data is shared only for the prevention of over-commitment, bad debt, fraud and money laundering and to support debt recovery, debtor tracing or to avoid irresponsible lending. I'm not persuaded that the way Vanquis has reported information on Mr D's credit file when he raised a dispute about a payment is in line SCOR guidelines. I'm not persuaded that the use of a Q marker when Mr D disputed a payment was fair.

I think Mr D makes a very reasonable point when he says that despite disputing the £15 payment, he made his contractual monthly payment and managed the account in line with the credit agreement. I agree with Mr D that it was unfair for Vanquis to report information that impacted how his account was recorded on his credit file, even though it was being managed in line with the terms, solely on the basis he asked it to recover a payment that had been taken in error.

As set out above, SCOR's guiding principles say information recorded should focus on the prevention of overcommitment, bad debt, fraud and money laundering or to help recover outstanding debts and avoid irresponsible lending. I'm not persuaded that reporting a Q marker following Mr D's payment dispute falls in line with any of those categories. I agree with Mr D, it was inappropriate for Vanquis to record the Q marker in the circumstances.

In July 2023, Mr D forwarded a print of the Vanquis entry on his credit file. It shows that despite the dispute being resolved, Vanquis continued to report January 2023's payment as "Q" in place of showing it had been made on time and in full. Even if I were persuaded it was appropriate for Vanquis to have recorded a Q marker (which I haven't), I wouldn't expect it to leave that in place once the query or dispute was resolved. I'm not persuaded it was fair or correct for Vanquis to leave the Q marker in place once the dispute was fully resolved and upheld in Mr D's favour. I intend to tell Vanquis to cease reporting the Q marker on Mr D's credit file.

I've reached a different conclusion to the investigator and, based on the information I've seen so far, intend to uphold Mr D's complaint. In my view, the use of the Q marker was inappropriate in Mr D's case and the information I've seen indicates Vanquis has unfairly continued to record it over the long term. Whilst I haven't seen any evidence that this issue led to a direct financial loss for Mr D, I'm satisfied it has caused a reasonable level of distress and inconvenience that's been going on since January 2023. I also intend to tell Vanquis to pay Mr D a total of £300 for the distress and inconvenience caused. In my view, £300 is a fairer reflection of the trouble and upset caused by Vanquis' actions than the £50 it offered in the final response.

I invited both parties to respond with further comments or information they wanted me to consider before I made my final decision. Mr D responded and confirmed he was willing to accept.

Vanquis responded and said it remained of the opinion the Q marker has been correctly recorded in accordance with industry guidelines and standard practice. Vanquis also said Mr D's credit score had only been impacted with one of the credit reference agencies. Vanquis added that the Financial Conduct Authority (FCA), the industry regulator, had recently announced proposals to introduce a common data reporting format. Vanquis went on to ask whether the Financial Ombudsman Service had contacted the credit reference agency to

check why a Q marker was considered as adverse information and advised it didn't agree an increase in compensation to £300 was fair.

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 my provisional decision I highlighted existing industry guidance that is published by the SCOR. The SCOR is made up of members of the credit industry including the main credit reference agencies. And the Principles of Reciprocity give specific examples of the sort of data the SCOR says should be shared by businesses on a consumer's credit file and why. I note that Vanquis' response to my provisional decision says it's acted in line with industry guidelines. But I'm not persuaded the way it's employed the Q marker in Mr D's case does that.

Vanquis hasn't commented on why it feels its use of the Q marker to reflect a complaint Mr D made about a disputed payment of £15 he made to a merchant fits the guidance supplied by the SCOR. And I haven't seen any new information that persuades me Vanquis acted fairly by recording a Q marker on Mr D's credit file when he raised the dispute in question.

Vanquis also talked about new proposals by the FCA to introduce common reporting standards. But, again, Vanquis hasn't specifically said how that impacts Mr D's case. I remain of the view that it was inappropriate and unreasonable of Vanquis to record the Q marker on the basis of the payment dispute Mr D raised.

We haven't contacted the credit reference agency to query how the Q marker is reported. But I'm not persuaded that's a step we need to take. As I've already noted, I haven't been persuaded that adding a Q marker to Mr D's credit file on the basis he wanted to raise a dispute in relation to a specific payment while his contractual monthly payments were maintained was reasonable or in line with the industry guidelines I've cited above.

I've considered everything Vanquis has said in response to the provisional decision. Having done so, I haven't been persuaded to change the conclusions I reached. I still think Mr D's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr D's complaint and direct Vanquis Bank Limited to settle by removing the Q marker from his credit file and paying him a total of £300 for the distress and inconvenience caused (less any compensation already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 12 January 2024.

Marco Manente
Ombudsman