

The complaint

Mr W complains that a payment arrangement with Bank of Scotland plc trading as Halifax has been recorded on his credit file. He says he was misled into believing that if he agreed to the payment plan and made the agreed payments on time his credit score wouldn't be impacted.

What happened

Mr W holds a credit card account with Halifax.

In June 2023 the account fell into arrears. In July 2023 Mr W called the collections team at Halifax and a nine month arrangement to clear the arrears was agreed. The agreement was that Mr W would make an initial payment of £284.21 on 17 July 2023 followed by eight payments of £284.21 to start on 17 August 2023.

The collections team issued a letter to Mr W confirming the arrangement.

In September 2023 Mr W called the collections team as he was concerned that his credit score was going down. He said he was paying the agreed amount under the payment arrangement, but his credit score had been impacted. The agent advised Mr W that the arrears on the account could be impacting his credit file. Mr W raised a complaint.

Halifax didn't uphold the complaint. In its final response it said it had listened to the call where the payment arrangement was agreed. It said that Mr W was specifically advised that his credit file would show that he had an arrangement plan in place. Halifax also said the letter confirming the payment arrangement stated that being behind with payments can affect your credit score. Halifax said that the information on Mr W's credit file was correctly reported.

Mr W remained unhappy and brought his complaint to this service. He said his credit score was being affected in two ways. He said that missing payments were being reported because he was paying a lower amount as part of the payment arrangement. He said that late payments were being reported as well. Mr W says that he remembers asking the agent whether the payment arrangement would affect his credit score and being advised that it would only affect it if he made late payments or missed payments. Mr W said he'd made all payments under the arrangement on time.

Our investigator didn't uphold the complaint. She said that having listened to the call dated 3 July 2023 she didn't think the bank had acted unfairly. She found that Mr W was informed that his credit file would show that he had an active plan set up with the bank and that when asked if he was aware of the impact on his credit file, he agreed. The investigator said she hadn't identified any errors by the bank.

Mr W didn't agree. He said he still didn't understand why his credit file showed a missed payment marker and a late payment marker each month.

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 listened to the call dated 3 July 2023 in which Mr W agreed to set up the payment arrangement. The advisor explained to Mr W that his credit file would show that he had an active payment plan set up with the bank. The advisor asked Mr W if he understood that this would impact on his credit file, and whether he understood what would happen if he missed payments under the plan. Mr W agreed.

I've also reviewed the letter which was sent by Halifax to Mr W the day after the call. The letter explains that being behind with payments can affect your credit score and make it harder for you to borrow money.

Mr W has said that the call was misleading and led him to believe that if he agreed to the payment plan and made the agreed payments then his credit file wouldn't be impacted. Having listened to the call, I'm unable to agree that it was misleading. I'm satisfied that it was made clear to Mr W that the payment arrangement would show on his credit file and that it could impact his credit score.

Mr W has said that he's made all payments under the payment arrangement on time. That's not disputed. Mr W feels that it's unfair that late payments are reported on his credit file when his payments under the arrangement haven't been made late. I've looked into this and the reason why late payments are reported is because Mr W's account had fallen into arrears before he entered into the payment arrangement. Because the account was already in arrears by one month, a "1" is shown on his credit file to represent this. The arrears will report each month as a "1" until they are cleared. I'm unable to say that Halifax has made an error in reporting the arrears on the account in this way.

For the reasons I've given, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 April 2024.

Emma Davy
Ombudsman