

## **The complaint**

Mr O complains that Bank of Scotland plc didn't report correctly on his credit file when he entered into a Debt Arrangement Scheme (DAS).

## **What happened**

Mr O holds an account with Bank of Scotland. In 2020 Mr O entered into a DAS and began making monthly payments of (initially) £86.34 and then £43.17 as required by the scheme.

Mr O contacted Bank of Scotland in March 2024. He complained that the bank hadn't reported a default on his credit file when he entered into the DAS. He asked the bank to apply a default to his credit file for when he first entered the DAS.

In its final response dated 13 June 2024, Bank of Scotland said it hadn't made an error in how it reported the DAS. It said that because Mr O was paying less than the contractual payments, these would show as late payments on his credit file, but that it was also reporting that he had a debt arrangement in place. Bank of Scotland said it had checked with the credit reference agency and had found that the DAS was reporting correctly. Bank of Scotland said that when Mr O initially raised his complaint in March 2024 it should have responded but had failed to do this. It said to make up for this it was paying compensation of £40.

Mr O remained unhappy and brought his complaint to this service. He thinks the account should have been defaulted at the time he entered into the DAS.

Our investigator didn't uphold the complaint. She said that based on what she'd seen, Bank of Scotland was correctly reporting on Mr O's credit file. The investigator explained that Bank of Scotland was reporting the account as being in a debt management programme and that this was how they reported a DAS on a credit file. The investigator said she hadn't seen anything to suggest that this was incorrect.

Mr O didn't agree. He said he didn't think Bank of Scotland had treated him fairly. He said he accepted that it had been his choice to enter into the DAS, but said he thought Bank of Scotland should change the reporting from "arrears" to "default" or "arrangement to pay". Mr O said the way the account was being reported at the moment was impacting on his ability to obtain a mortgage or rent a property.

## **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 reviewed the contact notes provided by Bank of Scotland. These show that the bank was contacted in January 2020 by Mr O's representatives, who advised that Mr O was entering into a DAS.

The statements of account show that initially Mr O was paying £86.34 under the DAS but

following a change of circumstances in 2021 the payment reduced to £43.17 per month. Both payments were less than the contractual monthly minimum payment due on the account.

Mr O has queried why the account is being reported as being in arrears. He says the account should've been defaulted when he entered into the DAS.

It may help if I explain what a DAS is. The DAS (Scotland) was introduced by the Scottish Government in 2004. It is only available to Scottish residents and is different from other debt schemes in the UK. In particular, a DAS is not included in the Information Commissioners Guidelines on when accounts should be defaulted.

Under a DAS, the consumer agrees to repay the full outstanding capital debt with no further interest and charges applied. The aim of a DAS was to help consumers to avoid having to enter into an IVA or declaring insolvency. Debts which are included in the DAS cannot be the subject of enforcement procedures.

A default is a form of debt enforcement, which is forbidden under the DAS. So if Bank of Scotland had issued a default notice and defaulted the account when Mr O entered into the DAS, this would've been a breach of the relevant legislation.

Taking all of this into account, I don't think Bank of Scotland has made an error by not defaulting the account.

I've reviewed all of the available information to see whether Bank of Scotland has made a reporting error or treated Mr O unfairly. I've looked at the credit reference agency screen print and this shows that the account is being reported as being in a debt management programme since February 2020. Based on what I've seen, this is an accurate reflection of the state of the account. Providers of credit are obliged to report accurate information to the credit reference agencies, and I can't see that Bank of Scotland has made a reporting error here. For this reason, I won't be asking Bank of Scotland to change the way it is reporting the account.

I know that this isn't the outcome that Mr O was hoping for. However, because Mr O has kept up to date with the DAS, it isn't open to the bank to default the account. Even if (hypothetically speaking) the bank had applied a default when Mr O entered into the DAS, the default would still be showing on his credit file now as it would report on his credit file for 6 years and would impact his ability to obtain credit.

### **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 O to accept or reject my decision before 10 October 2024.

Emma Davy  
**Ombudsman**