

The complaint

Mr H complains that London Community Credit Union Limited (“LCC”) reported adverse information on his credit file in error. The issue appeared to have been resolved in early 2023 when the default stopped appearing on Mr H’s credit file, however, the issue reoccurred in December 2023.

What happened

Mr H held a loan with LCC.

In January 2024 Mr H received a notification from a credit reference agency warning him that his credit score had dropped. Mr H checked his credit file and discovered that there were two new entries on his credit file relating to his loan with LCC. The first entry showed a sum of £2162 being in default from May 2022 to December 2023. The second entry showed a sum of £2162 being in default from August 2022 to December 2023. Further default entries were made on Mr H’s credit file in January 2024 and February 2024. The effect of the entries was to reduce Mr H’s credit score.

Mr H complained to LCC. LCC said it had sent a request to TransUnion to remove any credit file submissions from LCC. It said it had written off the loan and had also taken steps to mark the loan as settled on its system and said it would make monthly checks to ensure that the data wasn’t submitted again.

Mr H remained unhappy and complained to this service. He said this wasn’t the first time LCC had reported adverse information on his credit file in error and that this had impacted on his ability to obtain credit elsewhere at a favourable rate.

Our investigator upheld the complaint. He said that LCC had made an error in reporting information to the credit reference agencies and said it could’ve acted more quickly when Mr H made them aware that there was an issue. The investigator recommended that LCC pay compensation of £250 to Mr H.

Mr H didn’t agree. He said that because of his previous experiences with LCC, he didn’t have confidence that the entry would be removed or that LCC would pay him the compensation recommended.

Mr H has asked for an Ombudsman’s decision, so I’ve been asked to review the complaint and issue a final decision.

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 see that Mr H has complained about LCC reporting adverse information on his credit file previously. Those complaints were upheld. So, although I’ve had regard to the fact that this isn’t the first time that Mr H has had to complaint about this, I’m unable to compensate

Mr H for anything that happened prior to the current complaint, as he's already been compensated.

Following Mr H's last complaint, it seemed to be the case that the issue was resolved. I say this because there was a period of time when no adverse information was reported on Mr H's credit file.

It isn't clear why the loan was reported again in December 2023, January 2024 and February 2024. I've seen a letter from LCC which suggests that previously, the reporting may have been due to an ad hoc payment made to Mr H's loan account, which triggered a credit file for his loan and was reported to the credit reference agency. It's possible that this may have occurred again. But I can't be certain due to a lack of information.

LCC has acknowledged that the loan shouldn't be reporting on Mr H's credit file. It says it has taken steps to make sure the error doesn't occur again, including writing off the loan, marking the loan as settled and carrying out monthly checks to make sure the data isn't submitted again.

I've seen evidence from LCC which I'm satisfied shows that the loan has now been written off.

I've thought about whether the steps that LCC has taken are enough to put things right. From an administrative perspective, I think LCC has done enough. However, having considered the impact that the error has had on Mr H, I think LCC needs to pay compensation. I say this because it's clear that the issue has had a significant impact on Mr H's mental and physical health, as he's been very distressed by the error.

Putting things right

To put things right, London Community Credit Union Limited must pay compensation of £250 to Mr H.

My final decision

My final decision is that I uphold the complaint. London Community Credit Union Limited must pay compensation of £250 to Mr H. I would also expect LCC to do what it has said it will do i.e., carry out monthly checks to make sure the data isn't submitted again.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 August 2024.

Emma Davy
Ombudsman