

## **The complaint**

Mr W complains about the adverse reports MI Vehicle Finance Limited (MI) have made to his credit file.

## **What happened**

*I issued a provisional decision on this complaint in July of this year. An extract from that provisional decision is set out below.*

*Mr W took receipt of a car in May 2019. He financed the deal through an agreement with MI.*

*In June 2022 Mr W asked MI to reduce his payments for a time. MI agreed that he could make reduced payments of £50 per month for three months starting in August 2022. In October 2022 MI agreed that the arrears would be added to the end of the agreement. Mr W settled his agreement in May 2023 when he bought the car from MI.*

*Mr W was upset to find that MI had reported missed payments to his credit file from September 2022 until April 2023. MI said they were right to do so as it was an accurate reflection of Mr W's account position.*

*Our investigator didn't think MI had been reasonable and suggested they should amend Mr W's credit file to show missed payments for August, September, and October 2022 only and pay him £100 to compensate him for the inconvenience caused.*

*MI didn't agree with the investigator, so Mr W's complaint has been referred to me, an ombudsman, for a final 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 don't think MI have been reasonable here. I'll explain why.*

*Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.*

*I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.*

*Mr W acquired his car under a hire purchase agreement. This is a regulated consumer credit agreement and as a result our service is able to look into complaints about it.*

*The Information Commissioner's Office (ICO) Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies (CRA's) says:*

*“2. Should a payment not be made as expected, information to reflect this will be recorded on your credit file*

*3. If you offer or make a reduced payment, how it is reported will depend on whether it is agreed with the lender.*

*[...] Should a temporary reduction in the payment amount be jointly agreed between you and your lender, this ‘arrangement’ will be recorded at the CRAs.*

*[...] Depending on the period and amount of the arrangement, arrears may continue to be reported. Such temporary arrangements may last for some time but are generally expected to revert to the contracted terms at some future point. For such accounts arrears may continue to be calculated in accordance with the contracted terms.*

*The record must show that the account is the subject of special terms. The reporting of this fact may be different depending on the product and the CRA.*

*It is important that you are made aware, when such an arrangement is made and maintained, that it will show on your credit file and that whilst arrears may accrue and increase a default will not be recorded.*

*Following a satisfactory period of payments under temporary arrangement, and if the lender agrees, the status on your account may be set to zero; although the history will remain.”*

*I can see that on 16 June 2022 before Mr W’s reduced payments began MI made him aware, as the ICO guidance required, that “[...] missed or late payments could have an impact on your credit report [...]”*

*So, in line with the ICO guidelines MI should have reported the account as in an arrangement in August, September, and October 2022 but, thereafter, it was agreed that the arrears generated during this payment arrangement would be paid at the end of the agreement. In those circumstances, I think Mr W was making the expected payments up until the date he settled the agreement. It would, therefore, be reasonable for MI to remove any missed payments they have recorded after October 2022.*

*I can understand that this matter would have caused Mr W some distress and inconvenience as he would have been worried about the impact on his credit score. He’s shown us that his credit score reduced in these periods but not that he suffered any financial loss and, in all the circumstances, I would agree with our investigator’s suggestion that MI should pay Mr W £100 in compensation.*

### ***My provisional decision***

*For the reasons I’ve given above I am expecting to uphold this complaint and to tell MI Vehicle Finance Limited to:*

- Amend Mr W’s credit file so that it shows he was in an arrangement to pay in August, September, and October 2022. Remove any other adverse reports made in respect of arrears accrued as a result of the payment arrangement.*
- Pay Mr W £100 to compensate him for the distress and inconvenience caused.*

## **Further comments**

Having received the provisional decision Mr W had no further comments, but MI did. They said:

*“There appears to be a misunderstanding regarding what information we provide to the CRAs and how they report it.*

*As per your response and the information copied from the ICO website ‘Depending on the period and amount of the arrangement, arrears may continue to be reported.’ We report arrears on an agreement. As per the ICO information and your response, this is the correct action to take.*

*We don’t report ‘missed payments.’ The CRAs determine how to present the information we provide them. If the agreement is in arrears, and the arrears is greater than the value of a contractual payment they do show this as being 1 payment in arrears. The mis-conception is that it means the payment in that month was missed when it fact it means that the arrears are greater than the value of 1 payment, but less than 2.*

*This is why the ‘late payment marker’ started in September and not in August when Mr W started to pay the reduced amount.*

*We did agree that if Mr W was able to maintain his agreement payments for 6 months that we could add the arrears onto the end of the agreement. We weren’t actually able to do this as Mr W settled the agreement in full. This did remove the arrears from the agreement and the agreement was be shown as settled, in full, to the CRAs.*

*The fact that Mr W was only able to make small repayments for a period is a fact and was correctly reported. We can’t provide the CRAs with false information and I don’t feel that it’s appropriate for you to suggest that we should. The payment history on an agreement is the history, and it is important to all credit lenders that they see the truth when making lending decisions. We told Mr W that we’d add the arrears to the end of the agreement but at no point did we suggest that we’d hide the fact that he had to make reduced payments.”*

## **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 would agree with MI that the reports they make to the CRA’s must be an accurate reflection of what has happened. While reporting 'arrears' isn't entirely inaccurate as Mr W didn't keep up with his contractual repayments, it's ambiguous because Mr W was in an arrangement, and I'd normally expect that to show.

And as Mr W went back to the contractual repayments afterwards, with MI’s agreement to add the arrears at the end of the product, it seems unfair to record arrears, again, that doesn't represent a true picture of what's actually going on and the ICO Principles for the Reporting of Arrears explain that:

*“Following a satisfactory period of payments under temporary arrangement, and if the lender agrees, the status on your account may be set to zero; although the history will remain.”*

I think that's what should have happened here. Mr W's account should be reported as being in an arrangement to pay in August, September and October 2022 and all other adverse information should be removed.

### **My final decision**

For the reasons I've given above I uphold this complaint and to tell MI Vehicle Finance Limited to:

- Amend Mr W's credit file so that it shows he was in an arrangement to pay in August, September, and October 2022. Remove any other adverse reports made in respect of arrears accrued as a result of the payment arrangement.
- Pay Mr W £100 to compensate him for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 September 2024.

Phillip McMahon  
**Ombudsman**