DRN-5103073

The complaint

Ms T complains that Hillingdon Credit Union Limited (HCUL) incorrectly applied a default to her credit file.

What happened

Ms T had a loan with HCUL which she says was settled in 2018. She says that HCUL made a mistake and recorded the loan as being in default and reported this to the credit reference agencies (CRA's).

Ms T says the default prevented her from getting a mortgage and it was only after the default had been on her credit file for more than a year that she became aware of the issue. Ms T says that one lender declined her mortgage application as a direct result of the default.

Ms T says the effects of the default have been extreme and the situation was hugely distressing for her. She says she missed out on the purchase of a number of properties. The house she purchased was delayed – she should have moved in July 2019, and she wasn't able to move until October 2019. She says this caused her additional costs in rental accommodation. She's also said that her options of getting a mortgage were limited. And when she was able to obtain a mortgage, it was for a higher rate than the mortgage she had previously wanted.

To put things right, Ms T says she wants HCUL to compensate her £30,000.

HCUL responded to Ms T's complaint. It agreed that, due to an administrative error, it had reported that Ms T's loan account was in default from 28 September 2017. HCUL says that following contact from Ms T on 1 July 2019, it requested to have the default removed from her credit file within a few days. It accepted that its error would likely have caused Ms T some difficulties in obtaining credit, and so it offered Ms T £2,000 to compensate her for this.

HCUL state that Ms T initially rejected its offer of £2,000 to settle the complaint in full and final settlement. However, after further correspondence she accepted the offer. And HCUL told Ms T that she could still refer her complaint to this service if she remained unhappy.

An Investigator considered Ms T's complaint, but they didn't uphold it. They explained that they hadn't seen any evidence to persuade them that HCUL had caused Ms T a financial loss. And they felt HCUL's offer of £2,000 was fair to recognise the distress and inconvenience the situation had caused.

Ms T didn't agree. She said the first potential mortgage provider told her the mortgage in principle was declined because of the default on her credit file. She's said this forms part of that lender's lending criteria. She said affordability concerns didn't prevent her from getting the final mortgage, so this is a good indicator that it was in fact the default that was causing the issue. She adds that the house she wanted to purchase was ready for her to move into in June 2019, so she argues that she could have moved at an earlier point in time.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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.

Where an offer has been accepted in full and final settlement of a complaint, as is the case here, I would normally consider dismissing a complaint without consideration of the merits. That's because Ms T has essentially agreed to settle her complaint privately with HCUL. And it wouldn't usually be appropriate for me to consider the merits of that complaint as it was accepted in full and final settlement. Doing so could effectively unwind the agreement and undermine the whole purpose and efficacy of parties agreeing to settle a matter outside of an alternative resolution process. When Ms T responded to HCUL to accept the offer, she said "*I accept this offer of £2,000 is on the basis of this being in full and final settlement of my claims against Hillingdon Credit Union*". So, I'm satisfied she knew the offer she accepted, and that has been paid to her, was to settle her claim, and yet she has referred her complaint and claimed additional losses regardless.

That being said, it is at my discretion as deciding Ombudsman whether or not to dismiss a complaint. And in this case, I don't think me considering the merits will undermine HCUL's offer, as I won't be asking it to do anything more for Ms T. I'll go on to explain why I won't be asking HCUL to do more below.

Before I do this, I think it's important to explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Ms T's complaint in less detail than she has. If I've not reflected something that's been said it's not because I didn't see it, it's because I have focussed on what I consider to be the key issues. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

It's not in dispute here that HCUL made a mistake in recording Ms T's loan account as in default when it shouldn't have been. What I need to decide here is if the £2,000 HCUL has already paid Ms T is enough to compensate her for this mistake, and I think it is.

Ms T says that the financial losses she incurred all ultimately stem from the default being incorrectly recorded on her credit file. In summary, she says this has led to her having to take a more expensive mortgage and it caused a delay in her move date which resulted in increased rental costs. She also says she lost out on other properties she was interested in as she couldn't apply for a mortgage while the default was on her credit file.

For me to be able to award all or even some of these losses to Ms T, I'd need to be persuaded that Ms T would have been able to get a mortgage (in June when she first applied) had it not been for the default. That's because all the financial losses Ms T says she incurred supposedly stem from her not being able to get the mortgage she applied for in June.

I accept that it's likely the default on her credit file would have been a consideration for any mortgage lender at the time and no doubt a negative factor in any lending decision. That said, mortgage decisions are complex and come down to a great many different factors. I haven't seen sufficient evidence to persuade me that, had it not been for the default, she

would more likely than not have been accepted – which is what I'd need to be satisfied of here.

I appreciate that Ms T has told this service that the fact she was accepted for a mortgage at a later point in time shows that there weren't any affordability concerns and so it was the default that prevented her from getting the first mortgage. But that was an entirely separate lending decision and Ms T's circumstances had changed, and in fact improved, as her salary had increased, which would have had an impact on a lender's view of her affordability to be able to maintain payments. So I'm not persuaded this means Ms T would have been accepted for a mortgage in June had it not been for the default.

In addition to this, Ms T has provided this service with the email sent to her by the initial prospective lender, in relation to a second application, which explained that the agreement in principle was declined due to her credit score. This email was sent to her in September 2019 – the default was removed from her credit file at the end of July 2019. Based on this, it seems that there were still some issues relating to affordability which were preventing her from getting a mortgage, even after the default was removed.

I note that Ms T says that this lender declined the second application because her credit score hadn't fully recovered from the effect of the default, and that the lender had placed a marker on her. However, I don't think this is likely to be the case. Lenders don't take into account the credit scores as Ms T can see them on her credit file – these are only viewable to the individual and provides them with an indication as to their creditworthiness. Lenders will only look at the information contained in the credit file, for example repayment history and level of outstanding debt; however, they do sometimes use their own credit scoring system, which will be different to the one provided by the CRA's. Because the default had been removed by the time the second application was looked at, this lender would likely have taken Ms T's circumstances into account without the default. And even with an increase in salary, the application was still declined. This leads me to be less persuaded that Ms T would have got a mortgage in June, had the default not been on her credit file. I have also seen no evidence of the marker Ms T refers to.

Overall, I haven't seen enough information to satisfy me that Ms T would have been accepted for a mortgage had it not been for the default, and so I can't fairly conclude that the financial losses she says she incurred were as a direct result of the default. In my view, what Ms T has lost out on here is the opportunity to have her mortgage application fairly assessed, which I have thought about when deciding on a fair award for distress and inconvenience.

It is clear in this case that Ms T has suffered distress and inconvenience as a result of HCUL's mistake. When deciding on what might be fair compensation for this, I've thought about what Ms T has said in relation to some of the non-financial losses she incurred.

It's seldom straightforward to decide on appropriate levels of compensation for non-financial losses. Not least because the impact on the consumer will be, by its very nature, subjective and difficult to quantify. When deciding on fair compensation, I have taken the overall impact the situation has had on Ms T, together with our published approach to compensation for distress and inconvenience, which can be found on our website.

I note that Ms T has already looked at this Service's published approach to distress and inconvenience awards, and she feels that the highest award is appropriate in her circumstances – she feels that a compensation award of more than £5,000, that we award in the most extreme cases is a fair way to reflect what has happened. But I'm sorry to disappoint Ms T, I don't agree here.

The default had been on Ms T's credit report for a long time before she noticed. Not being able to obtain credit would clearly have been frustrating for Ms T, but I'm not persuaded that the impact of this has been extreme.

The bulk of the impact to Ms T, from what I've seen, appears to be when she became aware of the default itself. From when she became aware, to when it was removed was less than a month. I appreciate that given she was trying to apply for mortgages at the time, the level of worry and frustration this would have caused would have been heightened. However, I haven't seen anything that persuades me the impact of the default lasted longer than when it was on the credit file.

I've also thought about how HCUL dealt with the error at the time, once it became aware. I'm satisfied that it acted quickly in contacting the CRA to request its removal, so as to minimise the impact to Ms T.

Taking into account all of this, including the other comments Ms T has made in relation to non-financial losses, £2,000 is more than I would have awarded in these circumstances. And so, it is my decision that HCUL has done more than enough to put its mistake right for Ms T. I am not therefore directing that it needs to do anything further to resolve this matter.

My final decision

For the reasons I've set out above, I don't uphold Ms T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 2 January 2025.

Sophie Wilkinson
Ombudsman