

The complaint

Mr S is unhappy with information Zilch Technology Limited (Zilch) recorded on his credit file regarding the account he holds with it.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

“Mr S holds an account with Zilch which allows for purchases to be repaid in instalments over a set period of time. In March 2024, Mr S made a purchase totalling £200. This was to be repaid via four instalments. The first instalment was paid on the same day as the transaction.

Prior to the second repayment being due, Mr S contacted Zilch to see if he could change the due date so long as this didn't leave a mark on his credit file. The advisor said the payment could be paused. Mr S asked if this would impact his credit score but didn't receive a definitive answer. The advisor explained the matter would be forwarded to the relevant team.

The following day someone from Zilch contacted Mr S and provided two options to assist with repayment. Mr S asked for the option that allowed a 30-day pause on repayments, so long as it wouldn't leave any negative markers on his credit file. After some further responses from the advisor that again didn't answer this, Mr S was told it would be recorded on his credit file but not as a missed payment. Happy with this Mr S agreed and the pause was put on his account.

Following the second repayment being made, Mr S contacted Zilch again on 30 April 2024 and asked if the third payment could also be rescheduled. Mr S said he would then pay both the third and fourth instalments on the new rescheduled date. Zilch responded the same day and said it couldn't place another pause on the account and asked for further details on any changes to his circumstances.

Mr S explained his reasons for the request to change the repayment date and said if Zilch couldn't help, he would have to find the funds, as he can't have a marker applied to his credit file. After some further messages, Zilch advised a new payment arrangement had been set up on 1 May 2024 and this required Mr S to repay the remaining £100 on 24 May 2024. Zilch explained this would need to be paid via bank transfer or standing order.

Mr S immediately replied and asked why he wouldn't be able to pay in the app and again said he didn't want to do this if it would impact his credit score. On 2 May 2024, Zilch said as the account was now in an arranged payment plan, it would stop collecting payments automatically and Mr S would need to manually make them. Zilch also said it would report this to the credit reference agencies.

Mr S asked for further clarification and repeated this request over the next few days. On 8 May 2024, Zilch responded and said it had agreed for Mr S to pay £100 on 24 May 2024 but hadn't actually rescheduled it. Zilch confirmed this had now been done. Mr S replied and

again asked for confirmation this wouldn't impact his credit score.

Following this, Mr S became aware an arrangement to pay had been recorded on his credit file. Mr S highlighted this was exactly what he didn't want, and that had been made clear to Zilch on multiple occasions. Mr S was in contact with several advisors during this time expressing his unhappiness with what was happening and requested a complaint be raised. On 20 May 2024, Zilch confirmed this had been actioned.

On 22 May 2024, Zilch issued a response to Mr S' complaint. In this it said Mr S had requested a payment plan and therefore what had been recorded was accurate. Mr S didn't agree and continued to contact Zilch requesting a response and for his credit file be updated. Mr S made it clear in communication with Zilch in late May 2024 that this situation was impacting his mental health. On 29 May 2024, Zilch responded and confirmed its initial decision remains the same. Mr S remained unhappy and explained this in reply.

On 31 May 2024, Zilch issued a new response to the complaint. In this Zilch explained it should've engaged more with Mr S regarding the payment plan and that this wasn't something he wanted. As a result, Zilch agreed to remove the markers from Mr S' credit file and award him £100 in Zilch rewards for the poor service he received. Zilch explained the credit file update may take up to 30 June 2024 to be reflected.

Towards the end of June 2024 Mr S contacted our service and asked for us to look into the complaint. Mr S explained he had received an alert on his credit file that said his Zilch account will be changed to a negative status for the following months report. Mr S explained he would also contact Zilch directly regarding this.

On 1 July 2024 Zilch explained the arrangement marker had remained on one of the credit reference agencies, due to Zilch recently going live with a third agency. Zilch confirmed this would be updated in 30 days and agreed to pay a further £30 in compensation for the error.

As Mr S had asked our service to consider the matter, the complaint was passed to one of our investigators. They asked Mr S if there had been any additional impact on him due to the arrangement being recorded. Mr S explained he had been declined a credit limit increase on a different credit card and had failed searches which stopped him moving debt to a 0% credit card.

Our investigator acknowledged the distress and inconvenience this matter had caused Mr S. They said there wasn't sufficient evidence to say the failed credit application were solely down to the arrangement to pay marker Zilch had recorded. So overall the total of £130 Zilch had offered was fair and reasonable. Mr S disagreed and in summary explained the £130 didn't accurately reflect the impact Zilch's errors had on him.

As Mr S didn't agree, the complaint has been passed to me to decide.

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 the complaint. I would like to point out 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 S has confirmed the markers have now been removed, so what I've considered here is whether the £130 fairly reflects the impact this situation has had on Mr S. Having done so I

don't believe that it does. I'll explain why.

It's clear from Mr S' communication that his credit file being clear from negative information was very important to him. He made sure to question that nothing adverse would be recorded when discussing his request to possibly reschedule repayments. So, I can understand why when he found out adverse information had been recorded, he found it so distressing.

This was compounded by finding out the second time that the issue hadn't been fully resolved, like he had been led to believe, and the negative information would remain on his credit file for another 30 days. I note that this appears to have only come to light at the time it did as a result of Mr S receiving a credit file alert and not from Zilch directly. This has resulted in the negative information being present on Mr S's credit file for around three months

Zilch's communication with Mr S during this situation also contributed to the distress and inconvenience that was caused. It failed to provide definitive answers to the simple questions Mr S asked and it failed to properly engage with him on the matter. Zilch also explained to Mr S on two occasions what it had recorded was correct and it wasn't until Mr S was able to get the complaint reassessed by Zilch that it agreed correct what it had recorded to Mr S' credit file.

Taking this into consideration, I believe Zilch should award Mr S a further £70. I believe a total award of £200 fairly reflects the distress and inconvenience that's been caused and is reasonable in the circumstances."

I invited both parties to respond with new information they wanted me to consider before I made my final decision.

Both Zilch and Mr S confirmed they were willing to accept the provisional 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.

As both Mr S and Zilch have accepted my provisional decision, and neither party has provided any new information for me to consider, I see no reason to depart from the conclusions set out in my provisional decision.

Putting things right

To settle this complaint, Zilch should do the following:

- Ensure Mr S receives compensation totaling £200 for the distress and inconveniences this matter has caused him.

My final decision

I uphold Mr S' complaint and require Zilch Technology Limited to put things right for Mr S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 December 2024.

Paul Blower
Ombudsman