

The complaint

Mr T complains that Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services (VWFS) recorded a different customer's information on his credit file in relation to a hire purchase agreement.

Any reference to Mr T and VWFS includes their representatives.

What happened

Since January 2019, Mr T has been a customer of VWFS and has been supplied with three cars through hire purchase agreements. In 2020, Mr T contacted VWFS to make it aware of a change to his address. While processing the change, an administrative error caused Mr T's profile to be merged with another customer with the same name and date of birth.

In March 2024 Mr T applied for a loan through a lender (who I'll refer to as 'N') to be secured against a property that he'd purchased. He planned to use the funds to finish refurbishing the property so he could move into it with his family. He gave notice to vacate his rental accommodation on the basis that the property would be ready to move into by June 2024.

The application was declined, as N said there was undisclosed borrowing on Mr T's credit file and didn't think the loan was affordable. Mr T checked his credit file, as he wasn't aware of any undisclosed borrowing or adverse information. When doing so, he discovered several entries that didn't relate to him and became aware of VWFS' error.

Mr T complained to VWFS. He said its error had caused his loan application to be declined, delaying the refurbishment works he had planned. He said he had to extend his tenancy and continue paying for rental accommodation because of the delay. This meant he was also paying council tax and utility bills for two properties – which he wouldn't have had to do had VWFS not made an error. He was also concerned his data had been compromised.

VWFS apologised for its error and arranged to remove the incorrect information from Mr T's credit file. It offered Mr T a total of £1,000 to recognise the distress and inconvenience caused, and said it would be happy to consider evidence of the losses Mr T said he incurred.

Once his credit file was updated, Mr T made a second application for a loan so he could complete the refurbishment. The application was declined following a survey, which found that the property had no heating or hot water as a result of the works Mr T had already arranged. The property was deemed uninhabitable and wasn't suitable security for a loan.

Mr T referred his complaint to this service. He said that even though VWFS had removed the adverse data from his credit file, its error had effectively left him unable to secure borrowing against the property. This meant he wouldn't be able to finish the refurbishment or move in with his family. He estimated that VWFS' errors had caused him a loss of at least £10,000. He also said that some of the inaccurate information was still on his credit file for several months after he reported the issue.

Our Investigator considered the complaint and upheld it in part. They didn't think there was

enough evidence to say with certainty that the initial lending application would have been approved if not for VWFS' error. They also said the second application appeared to have been declined because Mr T chose to start the refurbishment works – rather than because of VWFS' error. So, they didn't think VWFS was responsible for the costs Mr T had incurred. But they said Mr T had paid for a credit report subscription to monitor his credit file – which wouldn't have been necessary if not for VWFS' error. They recommended that VWFS pay the cost of that subscription. They thought VWFS' offer of £1,000 was a fair reflection of the distress and inconvenience its error had caused to Mr T.

Mr T didn't accept the Investigator's conclusions. In summary, he said that if VWFS hadn't made an error to begin with, his original credit application would have been accepted. So, he didn't think the reason for the second application being declined was relevant to his complaint. He said a credit application was eventually accepted allowing him to finish the refurbishment works, and he estimated that the works had been delayed for at least 12 months because of VWFS' error. Mr T asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

Our Investigator recently contacted both parties to inform them that any award in my decision would include – where relevant - 8% simple interest per annum on costs that VWFS needs to reimburse Mr T for.

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.

Both parties have provided a significant amount of evidence and testimony. My decision will focus on what I consider to be the key points of Mr T's complaint. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome – and isn't intended as a discourtesy to either party.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr T has been supplied with cars under hire purchase agreements – and his complaint stems from VWFS' administration of his credit file in connection with those agreements. These are regulated consumer credit agreements which means I can investigate complaints about them.

It's clear that Mr T has gone through a significantly difficult time, and he has my sympathy for this. Because his loan applications were declined, Mr T was unable to complete the planned refurbishment works or move to his new home. It appears other problems with the works have further delayed this – leaving Mr T and his family in a difficult position.

It's not in dispute that VWFS made an error which resulted in incorrect information being recorded on Mr T's credit file – so I won't comment on that point in detail. I've considered the impact of that error, and whether VWFS is responsible for the costs Mr T says he's incurred.

Where a business makes an error, I'd typically expect – where possible – that it put its customer back in the position they'd have been in had that error not been made. This will sometimes mean reimbursing losses incurred by a customer as a result of a business' error. Before I can tell VWFS to reimburse the losses Mr T says he's incurred, I need to be satisfied that those losses were a reasonably foreseeable consequence of its error – taking all of the relevant circumstances into account. I also need to consider whether Mr T took reasonable steps to mitigate his losses.

I've reviewed the available evidence concerning both of Mr T's declined loan applications. While I haven't seen any direct evidence or comments from N about its decision to decline the initial application, Mr T's broker has provided some comments on the matter. They said:

"The application was declined due to affordability. I had checked all the details with the clients prior to applying and it should have sailed through (...) The reason that the mortgage declined was due to undisclosed commitments on the credit file (even though these were not my clients debts)."

The second application was declined on the basis that the property wasn't suitable security following a survey. Mr T has provided an email from N stating:

"The property is currently uninhabitable due to major works needed and in progress, the property requires significant multi trade repair and refurbishment. It is currently not habitable as there is no boiler or heating system/hot water. As per lender policy this is unsuitable security and the property has been declined."

Mr T's broker has given two reasons for the first application being declined – affordability concerns and undisclosed credit commitments on Mr T's credit file. I haven't seen a full copy of the loan application – so I don't know for certain whether there were any undisclosed credit commitments other than the incorrect information recorded by VWFS. But considering Mr T's broker's comments I think there probably weren't. Mr T's later application - made after the incorrect information was removed - passed N's affordability checks. So, although I haven't seen any evidence directly from N about its decision, I think it's reasonable to conclude that VWFS' error at least contributed to the initial application being declined.

Had Mr T's application passed N's affordability checks, it's likely further steps would have been required as part of the application process before funds were released to Mr T. This would likely have included a property valuation – as was the case during the second application. I haven't seen any evidence to demonstrate what state the property was in during the first application or whether it was habitable, so I can't say with any certainty what the outcome of a survey would have been or whether the funds would have been released to Mr T at that time if not for VWFS' error. So, while the incorrect information likely played a significant part in N's decision, I'm not persuaded that it was the sole reason Mr T wasn't able to obtain funding at the time.

Mr T says the second application wouldn't have been necessary if not for the error. Even if I were to conclude that VWFS' error was the sole reason that the initial application failed, I'd also need to consider whether Mr T took reasonable steps to mitigate his loss.

The email from N is clear that the second application was declined because the property was uninhabitable, rather than because of any adverse information on Mr T's credit file. The email directly refers to the lack of heating and hot water – which were part of the works Mr T had undertaken. So, I'm satisfied Mr T's second application was declined because he undertook works which rendered the property uninhabitable.

I can appreciate why Mr T wanted to start the refurbishment works, as he would continue to incur rental costs until the property was ready to be moved into. But it was ultimately his choice to do this before securing the funds he needed. Mr T also says that after starting the works, further problems were uncovered and that the property required more extensive refurbishment than he originally anticipated, which caused a further delay.

While VWFS' error may have impacted Mr T's initial loan application, I can't fairly agree that it's responsible for the costs Mr T says he incurred. Some – if not all - of these costs may have been avoided had the property not been rendered uninhabitable by the ongoing works -

and there were other unforeseen delays that weren't related to VWFS' error. Even if VWFS' error delayed things, I can't say with any certainty how much more quickly the works would have been completed if not for the mistake - as VWFS wasn't responsible for the second application being declined and the other unrelated delays. For these reasons, I don't conclude that the costs Mr T incurred were a reasonably foreseeable consequence of VWFS' error.

Where a customer says a business' error has caused a financial loss, I'd typically expect to see evidence to demonstrate any payments that were made – such as bank statements or a written agreement outlining the amounts due to be paid and when. Our Investigator asked Mr T for evidence of the additional rental payments he incurred. Mr T says the payments were made in cash through an informal arrangement, as his tenancy agreement had come to an end. He's provided an email from his landlord stating *"A verbal agreement of six months has been agreed with longer if required at the new revised amount"*. Even if I were to agree that VWFS was partially responsible for the delays, I don't think the evidence clearly demonstrates the additional amounts Mr T paid during that time.

It's clear VWFS' error had a significant impact on Mr T. Although VWFS eventually corrected Mr T's credit file, it would have been worrying and stressful to discover that his information had been merged with another person's. The incorrect information also had some impact on Mr T's initial lending application with N, which took some effort for Mr T to sort out - causing him some avoidable disappointment and inconvenience.

Mr T says VWFS' error compromised his data, putting his personal information at risk – which could have had serious consequences for him. It's not my role to fine or punish a business, and I can only tell VWFS to compensate Mr T for what has happened – not for what might have happened. I haven't seen anything to suggest that VWFS' error caused any significant detriment to Mr T – outside of the issues I've described above. Nor have I seen any evidence to suggest that Mr T's data was accessed by any other party.

VWFS has offered £1,000 to recognise the impact its error has caused to Mr T. Taking all of the circumstances into account, I'm satisfied its offer is a fair reflection of the distress and inconvenience VWFS' error caused. I say this because the distress and inconvenience caused to Mr T was significant and lasted several months. VWFS' offer is in line with what I'd expect in similar circumstances and awards previously made by this service.

Mr T says that after becoming aware of VWFS' error, he signed up to a paid service to monitor his credit file. VWFS has agreed to reimburse these costs. I think this is reasonable - as Mr T would naturally have wanted to monitor his credit file for some time after discovering VWFS' error to make sure the situation was resolved – especially as he was going through a lending application at the time. Mr T was made aware of the issue in March 2024, and it appeared to be resolved in August 2024. It's understandable that Mr T would want to continue monitoring his credit file for a few months after that to ensure his details remained accurate. So, I think it would be fair for VWFS to refund the payments Mr T made between March and December 2024. It should also pay interest on those payments as outlined below.

I appreciate this will come as a significant disappointment to Mr T, but for the reasons I've explained I won't be requiring VWFS to pay him the amounts he's requested. I'm satisfied that the below represents a fair resolution to the complaint taking all of the circumstances into account.

My final decision

My final decision is that I uphold Mr T's complaint. I require Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services (VWFS) to:

- Reimburse the amounts Mr T paid for his credit file subscription service (£14.99 per month) between March 2024 and December 2024.
- Pay 8% simple interest per annum on the above amounts from the date Mr T incurred the costs to the date of settlement[†].
- If it hasn't already, pay Mr T £1,000 to compensate him for the distress and inconvenience caused by its error.

[†]If VWFS considers that tax should be deducted from the interest element of my award, it should provide Mr T with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 July 2025.

Stephen Billings
Ombudsman