

## **The complaint**

Mr O is unhappy with the credit file reporting that Starling Bank Limited have made regarding his account.

## **What happened**

Mr O has a Starling current account with an overdraft facility of £500. In July 2021, Mr O took the balance of his account beyond the agreed overdraft amount, and his account remained in an unauthorised overdrawn position until April 2022.

Because Mr O's account was in an unauthorised overdraft for such a long period, Starling issued a default notice to Mr O on the account, and then proceeded to default Mr O's account before he made the payment to clear the overdraft. However, despite reporting the default to Mr O's credit file, Starling allowed Mr O to continue to use his current account and to continue to have an overdraft facility on it.

Mr O complained to Starling because even though he had paid off his overdraft in April 2022, they continued to report the default on his credit file as being active, albeit with a zero balance. Starling agreed to amend Mr O's credit file to show that the default was settled, and they paid £150 compensation to him because of what happened. Mr O wasn't satisfied with Starling's response, so he referred his complaint to this service.

One of our investigators looked at this complaint but felt that Starling's response to the complaint already represented a fair resolution to it. Mr O didn't agree, so the matter was escalated to an ombudsman for 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 issued a provisional decision on this complaint on 23 January 2025 as follows:

*I'll be provisionally upholding this complaint in Mr O's favour and instructing Starling to remove all reference of the default from Mr O's credit file.*

*I take this position because when a current account is defaulted because the bank is unhappy that the account holder has exceeded their agreed overdraft, as is the case in this instance, what should happen is that the bank should close the current account so that it can't be used moving forwards from the point of default.*

*Starling didn't do that here. And I don't feel that it's either fair or reasonable to record a default against Mr O and then continue to allow him to use the account in question and to continue to provide an overdraft facility to him on the account. And by being happy to allow Mr O to maintain his current account with them, I feel that Starling have acted disingenuously and unfairly towards Mr O by reporting a default to his credit file.*

*What Starling should report to Mr O's credit file that the account remained open and active with an overdrawn balance that was in excess of the agreed overdraft limit. But as per the actions of Starling in allowing Mr O to continue using the account, the account was never defaulted in any real sense and so shouldn't be reported as having been so.*

*Additionally, because I feel that Mr O has unfairly had a default recorded against him for a significant period, my provisional instructions to Starling also include that they must pay a further £600 to Mr O, in addition to the £150 that they've most recently paid to him, as compensation for the frustration and inconvenience that Mr O has incurred because of this.*

*In arriving at this compensation amount, I've considered the impact of Starling's mistakes on Mr O and the length of time that they've been ongoing. And I've also considered the general framework that this service uses when assessing compensation amounts, details of which are on this service's website.*

*Finally, I note that Mr O feels that he's incurred consequential loss because of the incorrectly reported default on his credit file. Specifically, Mr O feels that he's been declined credit or offered higher interest rates on credit because of the default.*

*But I'm not convinced that it can fairly or reasonably be said that the default is the only reason that Mr O didn't receive credit offers as he wanted. Furthermore, while Starling have made a mistake here, I must note that if they had properly defaulted Mr O's current account because of the length of time it was in unauthorised overdraft, and so had closed the account completely, I wouldn't feel that Starling had acted unfairly.*

*Because of this, I feel that credit reporting amendments and payment of £600 compensation that I've provisionally instructed already represent a fair outcome to what's happened.*

*The reason I'm not instructing Starling to apply the default correctly and close Mr O's account is because I feel that Starling's more recent actions should be considered to supersede their older actions. And because of this, I feel that Starling should continue to allow Mr O to use the account as they have been doing and so should rescind the default on his credit file.*

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Both Mr O and Starling responded to my provisional decision and confirmed that they were in acceptance of it. As such, I see no reason not to uphold this complaint in Mr O's favour on the basis explained above. And I therefore confirm that I do uphold this complaint on that basis accordingly.

### **Putting things right**

Starling must consider the defaulting of Mr O's account to have never occurred.

This includes that Starling must remove the default from Mr O's credit file and instead report the balance of the account as being what it was at the relevant times, including reporting the balance as being over the agreed overdraft limit when that was the case.

Starling must also pay a further £600 to Mr O.

### **My final decision**

My final decision is that I uphold this complaint against Starling Bank Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 7 March 2025.

Paul Cooper  
**Ombudsman**