

The complaint

Mr M complains that ETIKA FINANCE UK LIMITED trading as Etika, failed to mark his finance agreement as settled with credit reference agencies (CRAs). He said this has caused him an inconvenience and impacted the price he's been paying on his mortgage.

What happened

Mr M held a finance agreement with Etika, which he took out in order to fund a smart watch purchase. In early 2023, he made two manual payments on the same day to pay off the balance of the agreement. However, around a week later, his regular monthly direct debit was taken, which Etika say was already 'in flight' at the time Mr M attempted to settle the account. As a result, this put the balance of his agreement in credit.

In 2025, having received his annual statement, Mr M contacted Etika, to query why the loan agreement remained active. Etika apologised, and explained that the credit balance had caused the account to remain active. Unhappy with this, Mr M complained. He said this was not the first time he'd tried to contact Etika about this matter, and he said that he thinks the credit agreement remaining open on his credit file would have impacted the price he was paying on his mortgage.

Etika upheld Mr M's complaint in part and apologised. They acknowledged that they should have brought the credit balance to Mr M's attention sooner. And said that in response to his complaint, they had now refunded his overpayment and closed his account. However, they said they couldn't see any evidence to suggest that there had been any impact on the cost of Mr M's mortgage. So they didn't carry out any further actions in respect of Mr M's complaint.

Unhappy with Etika's response. Mr M brought his complaint to our service.

An investigator considered Mr M's complaint, and recommended it be upheld in part. He said he had seen no evidence to suggest that Mr M's mortgage payments had been impacted as a result of Etika not informing him of the overpayment. But he did think Etika should have contacted Mr M sooner to make him aware of the credit balance, and to arrange a refund. So he recommended Etika pay Mr M £50 for any distress this matter would have caused.

Etika accepted the investigator's findings. Mr M accepted them in part, but he felt that the compensation payment the investigator recommended should have been higher. So, he asked that the case be referred for a decision.

So as both parties are still in disagreement, the case has been passed to me, an Ombudsman to decide.

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'm sorry to hear of the distress this matter has caused Mr M, I can imagine it must be concerning for him to have thought he had settled a debt, only to find out later that the account was still open.

Also, I'm pleased to see that Etika have now confirmed that the credit balance has been returned to Mr M, and his account closed. This information should now pull through and reflect on any CRA data Mr M sees.

So, as the underlying issue has now been resolved, what remains to be considered is what compensation, if any, Mr M might be due for any distress this matter may have caused.

Mr M has said that 2025 was not the first time he raised this issue with Etika, and that he had contacted them on a number of occasions previously to try and settle the account.

Etika have said that they could see no records of any contact since the payments were made in 2023, to show that Mr M had reached out to them – including no contact following the 2024 statement they sent to him; which they said would have also showed the account still active with a credit balance.

Etika have also said there is no evidence to show that Mr M has been adversely affected in terms of the cost of his mortgage payments, which he thinks could have been impacted by the outstanding item of credit reflecting poorly against his credit file.

I appreciate the points Mr M has raised here, and I'm not disputing that he may have made other attempts to contact Etika about this matter. But equally, I accept that Etika have told us they have no record of Mr M trying to get in touch. But I'm satisfied regardless, that this issue would have still caused Mr M some level of distress, and I agree with the investigator that for this reason, he should be compensated.

That being said, Mr M, by his own admission, has no evidence to show that the outstanding item of credit remaining on his credit file for longer than it should have, had in anyway reflected negatively on his credit file, in a way that may have impacted how creditors perceived Mr M as a credit risk. And I think it's unlikely (given the item of credit was showing as overpaid with a credit balance) that it would have had a detrimental impact on Mr M, based on the evidence I've seen.

So, while I appreciate this matter has caused Mr M some level of frustration. On balance, from the evidence I've provided, I'm not persuaded that I should increase the level of compensation award from the figure the investigator has recommended.

My final decision

My final decision is that I uphold Mr M's complaint, and if they haven't already, ETIKA FINANCE UK LIMITED trading as Etika, should pay Mr M £50 compensation for any distress this matter may have caused.

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

Brad McIlquham
Ombudsman