

The complaint

Mr O is unhappy with how BMW Financial Services (GB) Limited ('BMWFS') are reporting how he settled his agreement with them.

What happened

In November 2017, Mr O was supplied with a new car through a hire purchase agreement with BMWFS. He paid an advance payment of £3,000 and the agreement was for £63,236.46 over 49 months; with 48 monthly payments of £960.00 and a final payment of £24,923.69.

In 2018, Mr O fell into financial difficulties, and he voluntarily terminated the agreement in January 2021. This left an outstanding balance of almost £10,000, which was managed by a third-party collections' agency ('TPA') instructed by BMWFS. In June 2024, Mr O agreed to make a part-payment of £5,011.85 in full-settlement of the outstanding balance, and this was paid in July 2024. However, Mr O wasn't happy how this had been recorded on his credit file, and he complained to BMWFS – he said that the TPA had told him it would be recorded as being fully satisfied.

BMWFS didn't uphold the complaint. They said they were unable to evidence that Mr O had been misadvised, and the settlement was reported correctly. Unhappy with this, Mr O brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator said that Mr O hadn't been told if the account would show as partially settled or fully settled, so they couldn't agree he'd been misadvised. They also said that BMWFS had an obligation to correctly and accurately report the status of Mr O's agreement; and they didn't think Mr O would've acted differently had he been told the account would be reported as partially settled as not settling the outstanding balance would've resulted in adverse information continuing to be recorded against Mr O.

As such, the investigator didn't think BMWFS needed to do anything more.

Mr O didn't agree with the investigator's opinion, and he provided a copy of his up-to-date credit file. This showed that BMWFS hadn't recorded the agreement as either being fully settled or partially settled but were instead reporting the agreement as being 6-months in arrears. The investigator reviewed this, and they revised their opinion.

In the revised opinion, the investigator referred to an email between the TPA and BMWFS on 5 September 2024. This said *"it does appear clear that [Mr O's] intention was to have the credit file marked fully satisfied when he has not actually fully satisfied the debt, and this is probably what had led to the communication you have had. Whilst our response to him doesn't specifically state it will be marked fully satisfied, had this said it will be marked as partially that would have been better."*

The investigator said that, as the agreement had been partially settled, then BMWFS should record it as such, from the date the partial settlement took place. And, as they had been incorrectly recording Mr O as being in arrears from the date the agreement should've been

showing as closed due to the partial settlement, they should also pay Mr O £300 compensation for the distress this had caused.

BMW agreed with the investigator's revised opinion, but Mr O didn't. He said that he didn't agree that £300 was sufficient for a "*near year of severe distress*" BMWFS had caused him by incorrectly reporting his credit file. Because Mr O didn't agree, the matter has been passed to me 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

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 O was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

When considering this matter, I've also taken into consideration that the TPA were acting as an agent of BMWFS when dealing with the outstanding balance. As such, this means that in this case, any discussions, communication, or representations made by TPA in respect of Mr O's credit file were done so as an agent of BMWFS, for which BMWFS remain liable.

Saying that, and notwithstanding what Mr O says he was verbally told, I haven't seen anything to show me Mr O was told that, by making a partial settlement, this would be recorded on his credit file as a full settlement. While, from what I've seen, this was clearly Mr O's intention, the TPA didn't specifically advise him what would be recorded.

However, it's clear that Mr O made a partial settlement and BMWFS have an obligation to correctly and accurately report the status of Mr O's account to the credit reference agencies. Which they haven't done. So, BMWFS need to do something to put things right.

Putting things right

The credit reference agencies allow for an agreement to be recorded as 'partially settled' or 'partially satisfied'. While this can still negatively impact a credit score, it's usually less of an impact than a default. As Mr O partially settled the outstanding balance, and this was accepted as full and final settlement of the outstanding debt, BMWFS should arrange for this to be correctly reported by the credit reference agencies, backdated to the date on which he paid the partial settlement payment.

As BMWFS have been incorrectly reporting arrears since the agreement was partially settled, this will have had an impact on Mr O's credit file. And I'm in agreement that BMWFS should compensate Mr O for this. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

The investigator recommended BMWFS pay Mr O £300 to recognise any distress he was caused by this incorrect reporting. While I note that Mr O doesn't think this is sufficient, having considered this recommendation I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward.

I say this because, while Mr O's credit score would've been impacted by the continued reporting of the arrears, which was clearly stressful for Mr O, had BMWFS correctly reported a partial settlement, this would also have had a negative impact on his credit score. As such, I'm satisfied that, although annoying, the impact on Mr O was much lower than he considers it would've been. So, this is a payment I'm directing BMWFS to make

Therefore, if they haven't already, BMWFS should:

- correct their reporting of Mr O's agreement to the credit reference agencies, to show the agreement was partially settled on the day Mr O made the partial settlement payment, and that no balance remains outstanding; and
- pay Mr O £300 to compensate him for the trouble and inconvenience caused by this incorrect reporting (BMWFS must pay this compensation within 28 days of the date on which we tell them Mr O accepts my final decision. If they pay later than this date, BMWFS must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

[†]If HM Revenue & Customs requires BMWFS to take off tax from this interest, BMWFS must give Mr O a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr O's complaint about BMW Financial Services (GB) Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 27 August 2025.

Andrew Burford
Ombudsman