

The complaint

Mr B complained that Close Brothers Limited unfairly reported adverse information to the credit reference agencies about an agreement he had and declined to remove it later.

What happened

Mr B acquired a used car under a conditional sale agreement with Close Brothers in August 2015. The cash price of the car was around £11,000 and he agreed to make 60 repayments of around £200. A deposit of around £1,700 was paid and the total amount repayable was around £14,000.

Mr B complained to Close Brothers in around January 2023. He said he had fallen behind with payments in 2020 due to the impact of the Covid-19 pandemic. The agreement was terminated due to arrears and his credit file was affected by a default marker. He asked for the adverse information to be removed considering the exceptional circumstances which caused him to miss payments. Close Brothers said that the agreement was in arrears and defaulted in October 2020. It said that the default was reported as satisfied in July 2022 once the agreement was paid off. Close Brothers said it had an obligation to report a true reflection of the agreement and issued a final response to that effect in January 2023. Mr B did not refer that complaint to our service.

Mr B complained again in August 2024 and asked for the default to be removed. Close Brothers reinvestigated the complaint and issued a further final response, but ultimately didn't uphold the complaint. It said it had a regulatory legal and statutory obligation to report credit repayments accurately to the credit reference agencies.

Mr B referred the later complaint to our service. An investigator here considered the complaint and didn't think Close Brothers needed to do anything further. Mr B disagreed. In summary he said:

- He was extremely disappointed by the outcome and found some of the statements triggering. He asked for a human element to the decision and not the black and white by the book response.
- He maintained the account well for five years until there were two late payments in 2019
- He was unemployed from June 2018 but didn't seek to apply for benefits while waiting for a home office application. He said he wasn't allowed to take new employment during the process and had to live on savings.
- In May 2019 he decided to start his own business, but in July 2019 had to travel abroad to care for a sick relative. This caused his first late payment which was cleared by August 2019.
- In December 2019 he had to travel to attend the funeral of his relative. He had overspent which caused insufficient funds to cover the payment for the car.
- The pandemic started in 2019, but the government lockdown started in 2020, and he was not allowed to open his private facility for his new business. He didn't receive any financial support because he wasn't in his premises by a specific date in March 2020 and he hadn't yet filled a self-assessment tax-return.

- He was aware of his responsibilities but at the time he was supporting two households in two countries while opening a business and contributing for funeral expenses
- He didn't receive any post from Close Brothers about payment deferrals, and didn't know such a thing existed until contacting other creditors. But he declined that assistance and paid the bills.
- He didn't ignore his bills; it slipped and went to default. But it has been paid in full.
- He hasn't had any late or missed payments in over three years. He has no debts and credit use is low.
- He shouldn't have to wait six years to show that he is credit worthy. He needed to assist his family, and if the default remained on his credit file it would affect that.

The complaint was passed to me to make a decision. I issued a provisional decision which said:

Firstly, I'd like to say I'm sorry to hear Mr B was negatively impacted by Covid-19. It's clear that he's also been dealing with very difficult personal circumstances. I acknowledge that this can't have been easy, and I'd like to thank him for bringing his complaint.

I acknowledge Mr B's strength of feeling and he's put forward his point of view passionately and articulately. I've read and considered everything Mr B and Close Brothers said but I've summarised the key points here. While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes informally.

Where the evidence is incomplete or inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

The agreement in this case is a regulated credit agreement. As such, this service is able to consider complaints relating to it.

Mr B has asked us to consider a letter he received from Close Brothers in relation to a remediation exercise it completed in March 2025, where it refunded fees and late payment interest. This didn't form part of his complaint to Close Brothers, so I've not considered it as part of this decision. If he's unhappy about that he'll need to raise that separately.

I've noted that Close Brothers issued two final responses to this complaint at different times. Mr B only referred the later complaint to our service. I'm satisfied that Close Brothers reinvestigated the complaint, so I think this means it issued new referral rights and Mr B brought the complaint in time. But if either party disagree, they can respond to the provisional decision with any comments.

The key question here is did Close Brothers treat Mr B fairly when he was impacted by the pandemic, and are there grounds for the default to be removed now? I've considered the guidance available at the time and the circumstances.

Relevant rules and guidance

Relevant guidance includes the FCA's Consumer Credit Sourcebook (CONC) and in particular CONC 7, Arrears, default and recovery (including repossession). CONC 7 says that firms should consider consumers in default or in arrears difficulties with forbearance and due consideration. This could be in the form of waiving interest, deferring arrears payments, accepting token payments etc.

Additional guidance was also introduced by the FCA in April 2020 – Motor finance agreements and coronavirus: temporary guidance for firms. This guidance introduced temporary measures for consumers whose finances had been impacted by Covid-19. The FCA states the additional guidance builds on Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly').

In relation to payment deferrals or deferral periods – this guidance says:

“Where a customer is already experiencing or reasonably expects to experience temporary payment difficulties as a result of circumstances relating to coronavirus, and wishes to receive a payment deferral, a firm should grant the customer a payment deferral for 3 months unless the firm determines (acting reasonably) that it is obviously not in the customer’s interests to do so.

In determining whether a 3-month payment deferral is obviously not in customers’ interests, firms should consider both customers’ need for immediate temporary support and the longer-term effects of a payment deferral on the customer’s situation, in particular the customer’s ability to repay any accrued interest once the payment deferral ends, and over what period”.

The FCA updated this guidance in July 2020. The update provided further guidance for firms, and more specifically advised on what considerations should be given to consumers that were given payment deferrals following its previous announcement. Eligible customers were able to ask for a further three-month payment deferral. The guidance was also updated again in September and November 2020.

Taking all this guidance into account, it seems to me that the overall intention of the guidance was to provide quick, short-term assistance to customers in difficulty without the need for prolonged discussions or detailed additional checks before agreeing a payment deferral. And that providing Mr B was eligible he should have been given a further payment deferral if and when he asked for one.

What support did Close Brothers offer?

Based on what I’ve seen, I think Close Brothers assisted Mr B appropriately.

The agreement started in August 2015, and I can see that Mr B made his payments on time up until July 2019. There were some payment difficulties between July 2019 and February 2020. But ultimately Mr B had caught up with his payments by February 2020. Close Brothers had offered breathing space or deferred payments which is in line with the relevant guidance at the time (CONC 7).

In March 2020 Mr B updated his email address and Close Brothers arranged online account access so that Mr B had other options rather than contacting Close Brothers by phone.

Towards the end of March 2020 Mr B contacted Close Brothers to explain the impact that the pandemic was having on his income. I can see that Close Brothers noted “Covid-19 Forbearance” on his account and agreed to offer breathing space in order to review the situation and he was allowed to cancel his direct debit. Arrangements were made to call Mr B at the end of April if it had not heard from him beforehand. In April 2020 Mr B called to make a partial payment.

The Financial Conduct Authority (FCA) formally released its guidance in respect of financial difficulties arising as a result of Covid-19. This came into effect on 27 April 2020. The guidance was for “Exceptional and immediate support to customers facing payment difficulties due to circumstances arising out of coronavirus.”

The guidance set out that eligible customers should be able to request a payment deferral for a period of three months.

I've noted that Close Brothers continued to mark the account as "Covid-19 Forbearance and continued to roll this over to mid-June 2020. This effectively meant that a three-month payment deferral was in place for March, April and May. I can also appreciate that Close Brothers was inundated with people asking for help at the time, so it makes sense that it automatically applied the temporary guidance retrospectively and continued to apply it for the maximum time available as it was likely that Mr B continued to be affected by the pandemic.

By mid-June Close Brothers hadn't heard from Mr B, and it had tried to contact him unsuccessfully. Mr B called in July to say that he was still impacted by the pandemic. An agreement was reached to pay some of the arrears. This would have reduced the impact of interest on Mr B. Close Brothers continued to apply a payment deferral to the account which meant that Mr B didn't make the contractual payments for June, July and August 2020. This is also in line with the guidance at the time. I can see that it sent the required notices explaining when the forbearance would expire. Partial payments were made sporadically in July and September.

Close Brothers made attempts to contact Mr B towards the end of the deferral period. Again, I think this was fair and in line with what I would expect it to do.

In September 2020 Mr B called in as he'd received a default notice and said he'd been on forbearance. I'm sorry to see that it looks like Mr B's financial situation hadn't improved by this point.

Close Brothers explained that the Covid-19 forbearance had expired, and it needed to make arrangements on the outstanding balance. It said that the agreement had now come to its natural end having been in place since August 2015, and it could only offer an additional three months' tailored support, which would make the monthly payment around £240. The call note suggests that Mr B was unable to agree to this due to other commitments to other creditors. Arrangements were made to accept a "short settlement" of £600 by the end of September 2020, which Mr B seemed to accept.

The FCA expected firms to offer tailored support to customers who were still facing financial difficulties after taking out the maximum six payment deferrals. It seems that Close Brothers tried to do that by allowing a further period for Mr B to make the remaining payments. Outside of the FCA's Covid-19 specific guidance for car finance firms there was still guidance for treating consumers with forbearance that businesses were expected to follow. CONC 7.3.6 says "Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt." I think that Close Brothers also acted fairly in agreeing to extend the term of the agreement.

Close Brothers continued to contact Mr B as arranged at the end of September, but this was unsuccessful. Close Brothers followed up by email and letter. In October 2020 Close Brothers made the decision to default and terminate the account so that it could be passed for debt collection. It noted "Termination of the agreement is the most appropriate outcome because Customer is 3:52 payments outstanding. It was agreed for short settlement however we have not been able to make contact with the customer. Customer is now 2 months passed his expire date Lpi and fees increasing vehicle depreciating" [sic].

Mr B set up a standing order to pay £25 a month from February 2021. In July 2022 he fully cleared the remaining outstanding balance.

Can the default be removed now?

I've thought carefully about options that Close Brothers had. It seems to have applied the relevant guidance at the time, both before and after the impact of the pandemic. The FCA guidance says Close Brothers were required to offer support, unless it determined (acting reasonably) that it is obviously not in the customer's interest to do so.

By the time the default was applied, Mr B had stopped engaging with Close Brothers. I'm not making any finding on his actions, as I know he's had a lot to deal with. But I don't have grounds to say that Close Brothers acted unfairly in reporting the default at the time. Close Brothers made offers to Mr B and he accepted but he didn't keep to the arrangement. Close Brothers sent a default notice warning of the consequences of non-payment, but Mr B didn't clear the debt by the required time. Therefore, it wasn't unreasonable for Close Brothers to apply the default when it did, because the guidance says it can and should happen between 3-6 months after arrears. And unfortunately, even after having payment deferrals Mr B was at that stage.

The specific guidance said "firms should not report a worsening arrears status on the customer's credit file during the payment deferral period. However, where additional forbearance is required, for example in the form of waived interest and charges, we would expect this to be reflected in the usual manner". Based on what I've seen Mr B required additional forbearance, and a reduced settlement was also offered, so I can't say Close Brothers shouldn't have reported the default.

Close Brothers are right to say they need to report a true reflection of the repayment history. I'm sympathetic to the situation Mr B finds himself in now, but that doesn't mean I can direct it to remove the default marker. And even though the debt has now been settled, and the credit file updated to reflect that, I don't have grounds to say it should now be removed. I'm sorry to disappoint Mr B, but as I've not been able to see that Close Brothers made a mistake in reporting the default, I don't intend to ask it to remove it.

Neither party responded to my provisional decision, so I'll now make my 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 haven't been provided with any further information to change my decision, so I still consider my findings to be fair and reasonable in the circumstances.

Therefore, my final decision is the same for the reasons set out in my provisional decision.

My final decision

My final decision is I do not uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 August 2025.

Caroline Kirby
Ombudsman