

The complaint

Mr S is unhappy with how The Royal Bank of Scotland Plc (RBS) reported his arranged overdraft to the credit reference agencies (CRA).

What happened

In 2018 Mr S took out his bank account with RBS as a student and continued to use the account after he graduated.

In June 2021 RBS noted Mr S's account as dormant as no credits had come into the account for several months, and in October 2021 RBS passed the account to third-party debt collectors due to an outstanding overdraft balance. In November 2022 the account was passed to another debt collector to act on behalf of RBS.

RBS said they attempted to contact Mr S after June 2021 and before issuing a Notice of Default in August 2021 and Final Demand in September 2021. Mr S said he did not receive the correspondence.

Mr S contacted RBS towards the end of May 2024 to express his concern that reporting missed payments was impacting his credit file. RBS acknowledged they should have reported Mr S's account as defaulted when it was passed to recoveries in October 2021 but had not done so. RBS also acknowledged their failure to engage with Mr S when he complained to them. RBS offered Mr S £100 to reflect their shortcomings, and offered to report Mr S's account as defaulted if Mr S wished, although the default would not be backdated so the missed payments would remain until the default was added.

Mr S did not accept this as a resolution and RBS increased their offer to £200 – which Mr S did not accept.

Our Investigator said it would be fair to backdate the default to 15 October 2021, but did not increase the level of compensation offered by RBS.

While RBS accepted the Investigator's conclusions, Mr S disagreed with the Investigator's findings expressing his concern that the compensation of £200 did not go far enough to reflect the trouble and upset these events had caused him personally and financially. And Mr S said that all the missed payment markers should be removed from his credit file.

As a resolution could not be reached, the matter has come 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.

I've only included a summary of what has happened above, and while I may not respond to every point each party has raised I have reviewed all the submissions available and focused on what I consider relevant to reaching a fair and reasonable resolution in this matter.

The parties should also note it is not my role to fine or punish a firm or to interfere with a firm's systems, processes or controls – these are all considerations for the appropriate regulator. My considerations are therefore limited to deciding what is a fair and reasonable resolution in the circumstances of this complaint.

RBS's responsibilities include reporting data about a person to the CRAs that is fair, accurate and up to date.

As both parties are aware, RBS have already acknowledged they did not report Mr S's account as defaulted to the CRAs when they would usually have done so, and they have now agreed to backdate the reporting of a default to start from October 2021.

Mr S has accepted the proposal to backdate the start date of a default for his account, although he also wishes to have all reported missed payments removed from his credit file.

I've considered Mr S's wish, but I think it would be fair for any missed payments to be reported prior to the start date of the default as this would be an accurate reflection of the status of Mr S's account. Mr S's debt comes from an arranged overdraft, and the overdraft is payable on demand. After Mr S was no longer depositing funds into the account, RBS took steps to demand payment of the outstanding overdraft balance – so until the balance was repaid it would not have been unreasonable to report missed payments to the CRAs.

And after a certain amount of arrears have built up, it would then be fair for RBS to report the account as defaulted. As already noted, it would be fair in this case to have started reporting the default once the account was passed to recoveries.

I have reviewed Mr S's submissions about the impact this matter has had for him both financially and personally, and given what Mr S has said careful consideration.

Mr S has submitted the missed payments reported on his credit file to date have caused him to be worse off financially as he incurred a higher interest rate when arranging car finance. He has also his credit score was affected and the reporting of missed payments could have impacted other credit applications.

I recognise, understandably, that Mr S's financial standing and creditworthiness is important to him; however, I've not seen enough here to support that the manner in which RBS were reporting his account until now has had the financial impact on Mr S that he has described.

A default is typically considered to have a greater negative impact on a person's credit file than missed payments, so there is not enough to say Mr S's car finance cost more because of the missed payments.

I note also Mr S had other adverse information reporting on his credit file that would have formed part of any prospective creditor's considerations to lend. So overall there is not enough for me to fairly say RBS's reporting to date was a direct cause of any higher interest rate Mr S may have been required to pay. Or that it affected any other applications Mr S may have made.

It may also help Mr S to know that while CRAs provide credit scores to their customers, these are not taken into account by prospective creditors who often have their own scoring systems and will also consider a person's ability to sustainably afford any credit alongside the information held by the CRAs by taking into account the individual's income and outgoings.

In view of the above, I am therefore not persuaded that in this case RBS can fairly be held liable for the financial losses Mr S is claiming here.

Mr S has also submitted this matter has had a personal impact on him referencing the stress and anxiety he has experienced as well as the difficulty in being able to manage his finances due to no longer having access to his bank account, as well as dealing with debt collectors.

When determining an award of this nature our service considers such things as the time taken to sort out a mistake, the impact to someone's health and whether there was anything an individual may have been able to do in order to reduce the impact of the firm's mistake.

And so I've considered the below.

- I've noted from the evidence and submissions available that it does not appear Mr S raised any concerns about the reporting of the account until mid-2024, and note there was some engagement with RBS about the account prior to this but nothing was raised about the reporting.
- Mr S sought RBS's help to sort out the problem in mid-2024 but they did not investigate and provide their response to him until months later, and only after Mr S prompted them to do so.
- As already mentioned, a default is generally considered to have more of a negative impact on a person's credit file than missed payments. Had the default been reported when it ought reasonably to have been reported in October 2021, this would likely have had a greater impact, but by backdating it and given the years that have already passed – as Mr S himself has noted – the impact of the default will reduce given the closer it comes to reaching the end of the six years that it remains on a credit file.
- RBS didn't report the default when they should have done, but even after it came to light that they hadn't followed their process, RBS continued to report missed payments for Mr S.

RBS said they did this because missed payments were not as impactful as a default, and while that is reasonable to say, I think RBS could have given greater consideration to their customer's particular circumstances.

I say this because Mr S's payments towards the outstanding balance mean it would take several years to clear this balance if he were to continue with the same level of payments each month. And in the circumstances a default (which is reported for six years) would therefore stop being reported long before the outstanding balance was cleared.

Taking this all into consideration it is reasonable to say this matter has personally impacted Mr S given the worry it has created and time taken for Mr S to ensure his financial standing has been fairly reported for him. And I think RBS could have done more to ensure they had fairly and accurately reported Mr S's account after it was passed to recoveries which may have prevented Mr S from having to get to the bottom of what should be reported for his account.

I realise Mr S is looking for a significant sum of compensation, but taking into account our approach to this type of award – and noting this type of award is not punitive in nature – I think the £200 offered by RBS to recognise they could have done more to help Mr S following the error in their reporting, is fair in the circumstances.

Lastly, I've noted Mr S's points about debt collectors, but RBS are entitled to use debt collectors to act on their behalf, so there's nothing to suggest they've acted unfairly in this

regard. And it is not unusual practice that once an account is no longer able to be used, access to that account is no longer available, so if Mr S requires information about the status of his outstanding balance he should engage with the third-party debt collector to request any information he requires.

Putting things right

The Royal Bank of Scotland Plc should report Mr S's account as defaulted from 15 October 2021.

The Royal Bank of Scotland Plc have confirmed they have already sent Mr S a cheque payment for £200 so there is nothing more for them to do in this regard. If Mr S does not have this cheque he should let The Royal Bank of Scotland Plc know.

My final decision

For the reasons above, my final decision is that Mr S's complaint is upheld and The Royal Bank of Scotland Plc should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 October 2025.

Kristina Mathews
Ombudsman