

The complaint

Mr D complains that Zilch Technology Limited (Zilch) reported incorrect information onto his credit report for an account he holds with it.

What happened

Mr D says he entered into the Debt Respite Scheme (known as breathing space) with the help of the Insolvency Service.

Following this, Mr D contacted Zilch in September 2024 to enquire what the breathing space would mean for his account. A Zilch advisor said any late or missed payments could still be reported to the Credit Reference Agencies and that Mr D should let it know if an alternative payment option would help.

Mr D asked for further details about alternative payment options and if this would negatively impact his credit file. Mr D was told entering into a payment plan would place a marker on his credit report.

In October 2024, Mr D contacted Zilch again to raise a complaint. He explained that an arrangement to pay marker had been recorded, despite him making all repayments in full and on time. On 5 December 2024, Zilch issued its final response. In this it said Mr D had applied for breathing space and its payments team had explained setting up a payment plan would reflect on his credit file. But as a gesture of goodwill, Zilch would update Mr D's credit file to show there were no arrangement markers in place during October 2024.

Unhappy with this, Mr D referred his complaint to our service. He said the breathing space wasn't an arrangement and he had only enquired about a payment plan and never entered into one. Therefore, its removal shouldn't have been as a gesture of goodwill and Zilch had caused unnecessary stress and inconvenience.

One of our investigators considered the complaint and agreed the breathing space shouldn't have been recorded as an arrangement to pay. They said the arrangement to pay's removal shouldn't have been as a gesture of goodwill, but ultimately it had correctly been removed. The investigator considered whether additional compensation should be paid but didn't feel it was appropriate.

Mr D didn't agree and said Zilch should pay compensation to reflect the distress, inconvenience caused to him.

As Mr D didn't agree, the complaint 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.

I would like to point out I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Looking at the evidence provided here, I agree with the investigator that the arrangement to pay marker Zilch recorded was done so in error. I've looked at the Government website on the Debt Respite Scheme (Breathing Space) and in paragraph 3.4 it says:

"Firms that report to credit reference agencies if payments are received or not can keep doing this during a breathing space. But there should be no automatic effect on a debtor's credit file triggered by starting the breathing space, and no automatic flag or code that will stay on the file after the breathing space has finished."

The guidance is clear that no automatic effect should be triggered on a debtor's credit file just by starting a breathing space. So, Mr D being in a breathing space doesn't mean Zilch should record an arrangement to pay. I can see that Mr D did make enquiries into a payment arrangement, but ultimately there are no notes to suggest he did go ahead with one. So again, his enquiries alone shouldn't have resulted in an arrangement being recorded.

In any event, whether as a gesture of goodwill or not, Zilch did remove the marker. So, I've gone on to consider whether I feel Zilch need to do any more in this case.

Just because something wrong was recorded onto a person's credit file, I don't believe it means compensation should automatically be awarded. Importantly, I think the impact of what happened is what determines whether compensation is appropriate and how much it should be.

Mr D has explained that he didn't have any plans to apply for credit. So, the arrangement being on his credit file didn't cause applications to be declined or for him to be offered a higher interest rate for example. I appreciate the hypothetical situations Mr D has said could've happened, but ultimately, they didn't. So, I don't think it fair I take those into consideration.

Mr D noticed the error swiftly and was able to raise this with Zilch without difficulty. Zilch also responded within eight weeks of the complaint being logged, explaining the marker would be removed. So, while I do agree Mr D has been caused a degree of inconvenience in having to deal with this situation, I don't believe it to be sufficient to warrant an award.

Sometimes things do go wrong and dealings with other people, businesses and organisations can be inconvenient at times. But to award compensation, I'd need to see that what Zilch did caused more than just a minor inconvenience or upset. I appreciate Mr D's strength of feeling here, but given the circumstances, I don't believe that it did.

My final decision

I don't uphold Mr D's complaint against Zilch Technology Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 August 2025.

Paul Blower
Ombudsman