

The complaint

Mr W complains about information reported to credit reference agencies (CRAs) by Lloyds Bank PLC since entering into a Debt Arrangement Scheme (DAS).

What happened

Mr W held a credit card account with Lloyds. Due to some financial difficulty, Mr W entered into a Debt Arrangement Scheme (DAS) in 2017, which he's told our service completes in 2031. Under this scheme, a plan is put in place whereby Mr W makes set monthly payments which are agreed following an affordability assessment. At the end of the plan, if all payments are maintained, any remaining fees, interest and charges are written off. The plan also has the benefit that while in place, creditors cannot chase customers for payments; and all interest, fees and charges are frozen.

It's important to note that the above scheme isn't simply an offer of payment under a debt management plan. Instead, it is a scheme run by part of the Scottish Government and is provided by DAS approved money advisers, not by the lenders. And while creditors can object to the DAS, the DAS administrator can override these objections, at which point, creditors are bound by the rules of the DAS scheme.

In this case, Mr W has argued that adverse data being reported against his credit file, will continue to be reported until 2031, and will remain visible on his credit file until 2037. He feels this is unfair and he thinks that Lloyd's should have defaulted his account at the start of the scheme. He says had they done so, the default would have dropped off his credit file by now and wouldn't continue to impact him negatively.

An investigator considered the matter, and in summary, felt that all adverse information since the start of the DAS should be removed, and that Mr W's credit file should show all payments made while in the DAS as having been paid on time.

Lloyds didn't respond to the investigator's findings. But Mr W did, and felt the outcome was unfair. So, the complaint was passed to me, an Ombudsman to decide.

I wrote to both parties on 10 April, and explained the following:

"I've thought about both the arguments raised by Mr W, and the investigator's approach to the matter, but I don't think a fair conclusion has been reached. While I understand the point Mr W has raised, it's important to note, that it was Mr W that opted to enter in the DAS arrangement. This wasn't something the business chose to do that is now impacting Mr W. To the contrary, the business had little say in whether or not they were comfortable with what was agreed under the DAS, and once the DAS was in place, it became incumbent on Lloyds to accept it.

The DAS scheme, when in place, sets up an arrangement for customers to make reduced payments for an extended period of time in order to clear their debt – that's what happened here. So, while I agree with Mr W that it wouldn't be right to purely report adverse information for the period the DAS was in place, I also don't think it

fair to show that all contractual payments were being repaid on time (as the investigator suggested), because they weren't. Instead, payments towards a separate arrangement were being made on time, but this is different to what the original lending contract set out, and what a credit report is designed to capture.

The ICO guidance sets out that "If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears." And they set out that "In general, the reporting of arrears indicates that the account has not been maintained according to the terms and conditions."

If Lloyds were to be expected to report Mr W's credit as up to date for the duration of the DAS, as the investigator has suggested, there would be no negative impact to Mr W. And Mr W's credit file would likely appear the same as someone who hadn't needed to enter into a DAS, and by contrast, had paid all of their contractual monthly repayments on time. This would not be an accurate reflection of the performance of Mr W's account.

Equally, I don't agree with Mr W that a default should have been registered at the start of the scheme. I understand Mr W's argument, and that with the benefit of hindsight, I can see why he may now wish for this to have happened. As this would likely result in the default having already dropped off of his credit file by now. But again, this wouldn't be an accurate reflection of the performance of the account.

A default, generally speaking, is reported to CRAs, when arrears on an account reach a certain level. It is also there to reflect the fact that the debtor creditor relationship has broken down; and that it is no longer likely a customer will be in a position to repay what they owe. To the contrary, the scheme Mr W entered, was done so in order to maintain payments on his account and help avoid a default. The scheme also comes with certain protections. Whilst making payments under the DAS scheme, interest, fees and charges are frozen; creditors won't chase customers for payments, and it prevents creditors using court action to recover debts.

So, while I accept why Mr W may now want a default to be backdated with the benefit of hindsight, I don't agree this would be a fair outcome. As this would mean that he would receive all the benefits afforded under the DAS, only to now have a clean credit file in respect of that debt; whilst at the same time, money continues to remain owed, and payments continue under an arrangement. This is not an accurate reflection of the account performance either.

What is clear here, is that Mr W entered into an arrangement as a result of not being able to maintain his contractual repayments. The ICO guidance states that where an account enters into an arrangement "It is important that you are made aware, when such an arrangement is made and maintained, that it will show on your credit file and that whilst arrears may accrue and increase a default will not be recorded."

In this case, Mr W entered into an arrangement as he was unable to maintain his contractual payments. And Lloyds chose not to default his account, as he has seemingly kept to the terms of that arrangement. Given the money remains owed, and considering the protections Mr W has been afforded (including not enduring the negative impact that a default, or potentially a CCJ, might have had, had the account defaulted back in 2017), I don't think the fair thing to do now is to backdate a default in the circumstances, as this would afford Mr W the positive impacts of the DAS and the six year relief on the default, but none of the negative impacts, such as potential legal action, chasers for payment, and the long term impact of the DAS scheme.

So, my current position on this matter is: if they haven't already, Lloyds should report Mr W's account as being in an arrangement from the date Mr W entered into the DAS scheme in 2017, for as long as that arrangement remains in place. Equally, I haven't seen anything to suggest that the arrears status reported to date has had either a negative or positive impact on Mr W, versus an arrangement. As different creditors could look at each position differently. So, I don't think in the circumstances, that any compensation is due.

I can also see that Mr W has raised concerns that for a large part of Lloyds reporting, his account was shown as closed. While I think it's fair to say this is not an accurate reflection of the account status, given that the ongoing payments towards the account seem to have been reported, I can't see that this has had any negative impact on Mr W either. And just because there may have been some misreporting in that respect, it doesn't mean that Mr W no longer owes those monies, or that any arrangements to repay those monies should not be reflected on his credit file.

I understand Mr W may be disappointed by this outcome, but I hope I have been able to explain clearly why I have reached the outcome that I have. I now invite both parties to provide any further submissions by 24 April 2026, after receipt of which, or the expiry of that deadline, I will look to finalise my decision on this matter, unless both parties accept my findings before this date, in which case, the complaint will close on that basis."

Lloyds didn't respond to my findings, but Mr W did and raised several points. In summary, the arguments raised were that a DAS was different to a normal arrangement and should be reported as such, as a regular arrangement wouldn't show how payments were being reported in accordance with the DAS plan. He said that while not a contractual change in the terms of the account, the account was being maintained in line with a governing structure which was similar and his credit file should reflect this. And, it was unfair that the lasting impact of the DAS arrangement would extend well beyond what a default would have, which would have dropped off of his credit file after six years.

So, as the parties remain in disagreement, the case 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 while I appreciate this will disappoint Mr W, my position remains the same as set out in my email of 10 April 2025.

When Mr W entered into the DAS in 2017, this was his choice to do so, and not something his creditors had a great deal of say over. The terms of the DAS set out that while creditors can object, these objections can be, and often are overruled, and require creditors to accept the terms of the DAS arrangement. I accept, with the benefit of hindsight, that Mr W may wish to have taken a different path if he had the opportunity, that's entirely understandable; but it doesn't mean Lloyds is acting unfairly in not defaulting his credit agreement.

Mr W has argued that a DAS arrangement was different to a regular arrangement and should be reported as such. While to some extent I agree, and a DAS isn't a payment plan agreed for a short timeframe following an informal conversation; it is, and remains to be, an arrangement to pay an amount that is different to the original contract terms. And again, I

would reiterate, that this was not a plan jointly agreed with Lloyds, but rather an arrangement they were subject to.

Mr W has argued that while not a specific change in contractual terms, payments were being agreed in line with an overarching government structure and should be reported as such. Again, I agree here. But to report the account as having defaulted earlier, or to report payments as being made in line with the original contract terms, wouldn't reflect this accurately. Instead, to report the account as in an arrangement, while his credit report also reflects him having a number of arrangements with creditors while under a DAS plan, seems the most appropriate way to accurately reflect how his account is being managed. There simply isn't an option to report how specific payments are being made against a DAS, as a DAS arrangement isn't a credit contract in and of itself, but an arrangement Scheme that determines how much he will pay to specific creditors. So, I remain satisfied that an arrangement is the most appropriate way to record such matters.

Mr W can, if he wishes, request that a note be placed on his credit file that creditors can see. This may allow him to bring to potential creditors' attention, any information he wishes them to take into account, such as the performance of his account under the DAS scheme. But beyond that, and what I have set out above, I'm satisfied there is no further action that needs to be taken on Lloyds' behalf, in terms of how they report the arrears on Mr W's account, beyond the arrangement mentioned above.

So, in summary, I uphold Mr W's complaint and Lloyds should ensure that they report Mr W's account as being in an arrangement from the date he entered into the DAS scheme in 2017, for as long as that arrangement remains in place.

My final decision

My final decision is that I uphold Mr W's complaint and instruct Lloyds Bank Plc to take the actions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 May 2026.

Brad McIlquham
Ombudsman