

## The complaint

Mr G is unhappy with how Etika Finance UK Limited reported an Individual Voluntary Arrangement ('IVA') and a subsequent default on his credit file.

## What happened

previous trading name). The agreement was for £3,737 over 51 months, with 48 monthly payments of £110.94 starting in December 2017.

On 30 November 2017, the day before the first payment with Etika was due, Mr G entered into an IVA. Etika were listed as one of the creditors on the IVA. As part of entering an IVA, all of Mr G's creditors should have defaulted his accounts, showing the date of default as being no later than the date of the IVA. The defaults would then be reported on Mr G's credit file for six years from the default date, while the IVA would be reported for six years after the start date.

The IVA was completed and discharged on 19 November 2024.

While Etika were made aware of the IVA in January 2018, they failed to action this until January 2022, when a default was registered. Mr G contacted Etika in December 2024, advising that the IVA had now been discharged, and asking them to amend his credit file to show this. He contacted them again in February 2025 to complain that the default was still showing, with a default date of 2022 not 2017.

Etika apologised for this error, and for marking his account as partially satisfied instead of discharged by an IVA. They said they had now corrected the credit file and offered Mr G £100 compensation for what had happened.

Mr G wasn't happy with this, and he brought his complaint to the Financial Ombudsman Service for investigation.

While the matter was being investigated, we became aware that one of the credit reference agencies were still reporting Mr G's account and the incorrect information associated with this. Etika again apologised, saying they were unaware of this. They arranged with the specific credit reference agency for Mr G's credit file to be corrected, and they increased their offer of compensation to £250.

While Mr G had said that Etika's actions had caused him problems with purchasing a property in early 2025, limiting his choice of lenders and causing a delay during which house prices had increased substantially; the investigator thought Etika's actions to resolve the issue were reasonable, and they didn't need to do anything more.

Mr G didn't agree with the investigator's opinion. He provided extensive comments about his proposed purchase of a property, and why Etika's actions had caused him an avoidable loss. These included, but are not limited to, copies of his credit file from different dates and a reference to an email from a mortgage broker dated 10 July 2025.

Because Mr G didn't agree, this 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 this instance, it's not disputed that Etika have incorrectly reported the date of the default. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think Etika should do to put things right.

### **Putting things right**

What remains in dispute is the impact of Etika's error, and what they should do to compensate Mr G for this. But crucially, any 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.

Mr G has explained in detail how Etika's error has impacted his ability to obtain a mortgage and move out of rented property. He's specifically referred to an email from his mortgage broker, dated 10 July 2025, which states *"the presence of [a] Default severely limits your choice of potential lenders. Banks and lenders offering the most competitive interest rates do not accept applications from clients with Defaults on their credit file ... initiating an application process at this time would restrict you to more expensive, specialist lenders, or alternatively, require you to postpone your transaction until the Default entry is resolved."*

While the information from the mortgage broker is technically correct, it also isn't directly applicable to Mr G's specific circumstances. It's true that Mr G's credit file shows a default registered by Etika in January 2022, but it's also true that Mr G had clear evidence – the IVA documentation and Etika's letter of 4 April 2025 – that shows the default was registered in error. As such, I'm not satisfied that Mr G was limited in his choice of mortgage lender, as it would've been possible for the broker to submit an application to any 'prime' lender, supported by the documentation showing the default had been registered in error.

The mortgage lender would be required to take this documentation into account and, while they may have made it a condition of an offer that the default reported in error be corrected, this would not have caused a substantial delay to any application.

I also have to take into consideration that the credit file is just one part of a lender's underwriting criteria, and a lender may have declined to offer Mr G the mortgage he was requesting, including the amount he wanted or at the interest rate he'd applied for, for a multitude of other reasons, including, but not limited to, the suitability for mortgage of the property he was looking to purchase.

So, as the broker chose not to submit any application supported by the documentation to show the default had been registered in error, it's not possible to obtain a letter from a potential lender explaining that the default registered in error was the only reason they were not prepared to lend to Mr G.

As such, for the reasons given, I'm not satisfied that the errors made by Etika stopped Mr G from obtaining a mortgage and purchasing a property. So, I won't be asking Etika to compensate him for this.

However, it is clear that Etika's errors did have some impact on Mr G, and I think he should be compensated for this. As I've said above, any 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.

Etika have offered to pay Mr G £250 to recognise the distress and inconvenience he was caused by their error. And 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 think this is significant enough to recognise the worry and upset Mr G would've felt discovering that a default was still being reported on his credit file more than six years after entering the IVA, and by having to take actions to resolve this. So, this is a payment I'm directing Etika to make

Therefore, if they haven't already, Etika should pay Mr G £250 to compensate him for the trouble and inconvenience caused by their incorrect reporting of his default. Etika must pay this compensation within 28 days of the date on which we tell them Mr G accepts my final decision. If they pay later than this date, Etika 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 Etika to take off tax from this interest, Etika must give Mr G 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 G's complaint about Etika Finance UK Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 November 2025.

Andrew Burford  
**Ombudsman**