

## **The complaint**

Miss S complains about the way TSB Bank plc ('TSB') has recorded information on her credit file in respect of a loan account which is subject to a Debt Arrangement Scheme ('DAS').

## **What happened**

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my role resolving disputes with minimum formality.

Miss S's TSB loan was included in a DAS which started in September 2023. She is unhappy that TSB:

- is refusing to mark her account as in 'default' – she says that other creditors have done this with her accounts subject to the same DAS;
- told her it would do this then changed its stance; and
- has continued to try and take direct debit payments for the loan resulting in recording missed payments on her credit file despite her making the required payments on the DAS.

TSB responded to the complaint around October 2024 and said that it has not made an error by not recording a default. It says that as Miss S is in a DAS it has correctly marked her loan account as being under a payment plan/arrangement. However, TSB says it did give Miss S incorrect information about this initially. And accepted that it had not cancelled direct debits correctly, leading to missed payments. It apologised and said it would correct this and offered Miss S a total of £150 compensation for the distress and inconvenience caused.

Our investigator upheld the complaint but TSB did not agree. So the matter has been passed to me for a final decision.

I issued a provisional decision on this case which said:

### **What I've provisionally 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.

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 with minimum formality.

I note that Miss S has made a similar complaint to TSB concerning her credit card account too. For clarity this decision is only about her loan account. However, I have also included the issue here about the information which TSB initially gave Miss S about what it would do about reporting a default in respect of her TSB accounts subject to the DAS. Furthermore, I note while this case deals with reporting of

information post TSB's final response, it is a continuation of the subject matter of this complaint, and no parties have objected to this service dealing with it.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

Particularly relevant here is what the Information Commissioner's Office ('ICO') says about how lenders should report to credit files. Including its publication on the *'Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies'* (published in 2016 and since updated).

I have also had regard to the 'Account in Bankruptcy' ('AiB') website which is the body responsible for the administration of the DAS and publishes guidance for creditors like TSB about the DAS. And contains links to other sources of information about the scheme for debtors like Miss S (such as that on the mygov.scot website).

After considering this information I don't consider it fair and reasonable to ask TSB to change the way it has reported the DAS. I will explain why.

The ICO says that when a reduced or revised payment plan is agreed with a borrower (which is a situation in a DAS) then that arrangement will be reflected on the credit file. It says that if an arrangement is agreed a default would not normally be registered unless the terms of that arrangement are broken. I note that Miss S has not broken the arrangement – so with that in mind I am satisfied that TSB reporting the loan account as in an arrangement rather than a default is correct.

I say this also noting the ICO says on its website *'A 'default' on your credit file simply means that the lender considers that the relationship between you has broken down'*. Furthermore, it will generally be 3-6 months of missed payments before this sort of action might be necessary. It's not clear that Miss S was missing payments on the loan or for how long prior to her entering the DAS however, in entering it in September 2023 and including the loan account Miss S was clearly taking action in order to repay her borrowing in a sustainable way. I can see why TSB did not consider the relationship had broken down as a result.

I don't agree with Miss S that a default on her account is preferable to a payment arrangement being recorded. A default is arguably more detrimental and something many would wish to avoid. Nor, do I understand why she says that TSB's approach will lead to her having adverse information on her credit file until 2035 (when the DAS is due to end in 2029). But, in any event ultimately the ICO guidance says that a person's credit file needs to be an accurate reflection of the way they have run the account. And here, a default is not an accurate reflection of what has happened.

I also note that I have been unable to find any resources on the AiB website that say a default should be recorded on a credit file when a DAS is entered. Furthermore I note the mygov.scot information says that a DAS can be added to a credit file and stay on there for at least six years. But it doesn't say anything about a default being recorded. If this were usually the case, I would expect to see it clearly stated here.

I also note Miss S has referred to a DAS being aligned with a Debt Management Programme ('DMP'). And indicates these are longer term debt solutions that should result in a default being recorded. However, I can't find anything in the ICO guidance that says a longer term debt solution should always result in a default. I don't see

how that would be accurate or fair, especially considering arrangements such as a DAS are not scheduled to go on beyond six years and are also intended at protecting consumers from unwanted communications (such as default notices or other collections related activity).

All things considered, and regardless of what other creditors might have done, I cannot fairly agree that TSB should be compelled to record a default for the loan account. I know Miss S is concerned that TSB will add a default later on which will extend her adverse credit reporting further than the end date of the DAS. I don't see why TSB would if she keeps to the terms of her arrangement – but it hasn't happened at this point in any event. If Miss S feels any future action of TSB is treating her unfairly she can complain separately about it at the time it occurs.

I note that TSB does accept that it initially gave Miss S incorrect information indicating her accounts subject to the DAS would be defaulted after so many months of being in it. It also accepts that it incorrectly logged missed payments on the loan account when Miss S was in the DAS. Seemingly this was because it didn't cancel the direct debit to the loan when it should have done.

TSB has offered Miss S £150 compensation for this. It has apologised and also appears to have removed the record of missed payments up to the point it said it would take action. Which on the face of it seems fair and reasonable. However, I think that TSB should do more here, noting that even when TSB said it had fixed the issue it still seems to have continued to record missed payments about the loan on her credit file from August 2024.

I note that no party appears to dispute that Miss S has kept to the terms of the DAS since August 2024. With this in mind I don't think it is fair that TSB report missed payments on the loan account from this point. The ICO says that credit files need to be accurate and I don't have anything to suggest that Miss S did not keep to the terms of her new payment arrangement when she was required to. I think marking her payments as missed could give the impression she isn't keeping to her arrangement. Therefore, I think it fair that TSB amends this and also takes steps to prevent it from happening in the future as long as Miss S keeps to her DAS payment terms. It should also pay her an additional £50 to the £150 it has offered to date.

I note that the compensation I am directing TSB to pay here is not in addition to what it has already offered. If it has already paid Miss S any of the £150 it has offered to date this can fairly be deducted from my award as set out below.

### **My provisional decision**

I partly uphold this complaint and direct TSB Bank plc to:

- Update Miss S's credit file for the loan account to show no missed payment markers since she entered the DAS in September 2023 to the date of settlement, and take steps to ensure missed payments are not recorded in future as long as Miss S keeps to her revised payment terms; and
- pay Miss S £200 total compensation for the distress and inconvenience caused by the incorrect information it gave her about whether it would default her accounts, along with the incorrect reporting in respect of her loan account.

TSB did not respond. Miss S did not agree and said, in summary:

- An arrangement to pay can be equally or more damaging than a default and she

would be in a better position if she just stopped paying her DAS and allowed the account to default.

- A default has a fixed six-year lifespan whereas an arrangement to pay marker will remain for longer.
- TSB's current approach will mean an arrangement will be showing until 2035 rather than 2029 if a default is applied.
- The current approach TSB is taking is not accurate reporting in line with the ICO Principles.

### **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 thank Miss S for her further submissions, however, they don't really add anything to what she has already said before so I will briefly deal with what I consider to be the key points.

Firstly, as I have already said – I do not agree with Miss S that a default is better than a payment arrangement being recorded. She has not provided credible evidence to show that either.

Secondly, the DAS, unlike a general arrangement to pay has an expiry date. I do not agree that it will last until 2035 on her credit file as she states. Her DAS should come off her file automatically once it ends in 2029 – and if not she can ask TSB to remove it. I note, in support of this the *mygov.scot* website says the following:

*DAS can stay on your credit file for at least 6 years.*

*Some credit agencies will automatically remove it after 6 years. If this does not happen, you can contact the agency to ask them to remove it.*

In summary, neither party has given me cause to change my provisional findings – which I still consider fair for the reasons already given (above). These findings now form my final decision alongside the points above.

### **Putting things right**

See below.

### **My final decision**

I partly uphold this complaint and direct TSB Bank plc to:

- Update Miss S's credit file for the loan account to show no missed payment markers since she entered the DAS in September 2023 to the date of settlement, and take steps to ensure missed payments are not recorded in future as long as Miss S keeps to her revised payment terms; and
- pay Miss S £200 total compensation for the distress and inconvenience caused by the incorrect information it gave her about whether it would default her accounts, along with the incorrect reporting in respect of her loan account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 15 October 2025.

Mark Lancod  
**Ombudsman**