

The complaint

Mr A complains Gracombex Ltd trading as The Money Platform (Gracombex) is reporting inaccurate information to the credit reference agencies about his loan account while he is in an Individual Voluntary Arrangement (IVA).

What happened

This complaint concerns a loan of £250 which Gracombex granted to Mr A in March 2019. By April 2019 the loan was in arrears and payments hadn't been made as expected. Mr A entered into an IVA in August 2019, but Gracombex wasn't added to it until October 2021.

Following Mr A's complaint, Gracombex explained why it didn't consider an error had been made;

"The reporting of the loan performance has been accurate because no payments have been received, and therefore the status of (sic) Debt Management Plan failed".

Gracombex went on to say that even if it had received payments from Mr A's Insolvency Practitioner (IP) the IVA obligations hadn't been met and so the IVA had failed as such *"...it [the loan] must be reported as in arrears to meet our regulatory requirements."*

The complaint was then referred to the Financial Ombudsman where Gracombex said.

- It can't accept cheques as part of the IVA repayment process– the ones it did receive were returned to Mr A's IP and while the IP has confirmed that payments would be made electronically, so far it hasn't received any; and
- even if Gracombex had been in a position to cash the cheques – it would've only received £127 which is short of the £336 which the IP said was owed under the terms of the IVA and as such Mr A's loan account is in arrears and hasn't been settled.

The complaint was considered by an Investigator who upheld the complaint. Mr A partly agreed with the outcome but he also said he didn't think the distress and inconvenient payment was sufficient. Gracombex didn't agree with the outcome explaining that Mr A's IVA had failed and it shouldn't have to pay compensation when a balance is still owing.

As no agreement could be reached the case was then passed to me and I issued a provisional decision explaining – for slightly different reasons why Gracombex had made an error and what it needed to do in order to put things right.

Both parties were asked for any further submissions as soon as possible, but in any event, no later than 24 November 2025. Gracombex didn't acknowledge or provide any further submissions. I've summarised Mr A's response below;

- Mr A says his IP had sent cheques and had made numerous attempts to contact Gracombex – until the adverse payment information impacted his credit file.
- Mr A says that Gracombex deliberately record adverse information, and this has caused him stress and alarm.

- As a result this means Mr A shouldn't be responsible for the outstanding balance.

A copy of the provisional findings follows this and forms part of this final decision.

What I said in my provisional decision:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

To start with I just want to reiterate that Mr A is in an IVA. There has been some confusion caused because in the final response letter Gracombex referred to a debt management plan, which from the emails I've seen has caused Mr A some distress. But I think it's fair to now say that both parties are fully aware there is an IVA.

In addition, Gracombex has said that the IVA failed as a result of it not receiving any payments from the IP. Initially cheques were being sent, which Gracombex says it wasn't able to encash as it doesn't have the facilities to do so.

I am not making a finding about this, merely stating that Gracombex didn't and couldn't accept any of the distribution payments it received. I understand an electronic payment has been set up but still Gracombex hasn't – as far as what I've seen in the documentation, received any payments. If this is still an ongoing problem than Mr A and/or Gracombex may wish to contact the IP directly to find out what is happening.

However, notwithstanding the payment problems that there have been, Mr A's IVA hasn't failed because no breach notices have been sent. I have seen a letter from his IP confirming the IVA is still active and this is further supported by the Insolvency register which again confirms Mr A's IVA is active and hasn't failed. So, while I accept that Gracombex may not have accessed the funds it has been told it is due, I don't think that this is because there is an issue with Mr A's IVA.

Reporting of adverse information

Moving on to the main substance of this complaint, which is that Mr A says, Gracombex is reporting inaccurate information to the credit reference agencies about the status of the loan account. Gracombex has said, that it is entitled to report the account is in arrears to credit reference agencies as it hasn't received the payments the IP has said is due to it.

Whereas, Mr A says that the adverse information is incorrect and the information being reported isn't consistent with how other creditors have reported the accounts subject to the IVA.

I've thought about all of this and for the reasons I've set out below I am intending to uphold the complaint but I've provided more reasons for doing so as well as changing what Gracombex needs to do in order to put things right.

Whether the account ought to have been defaulted

There is some agreement about the events that occurred, Gracombex's timeline shows the loan being approved and then entering into arrears soon after payments were due and by January 2020 it says the account was more than six months in arrears.

Mr A has also said that after the loan was approved, he didn't receive any contact from Gracombex. I've not been provided with system notes from Gracombex so I can't say for sure what sort of notices it did or didn't send to Mr A. But given what I do have I think it's fair to say there was very little contact between the loan being paid out and when Gracombex was notified that the account was being added to Mr A's IVA in 2021.

When thinking about what ought to have happened with the account I've used the "Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies" which was issued by the Information Commissioner's Office (ICO). This report set out a number of principles to aid companies with what information should be reported to credit reference agencies and how this should

be done. I consider this to be good industry practice and so I've taken a look to see what if anything it says about defaults and IVAs.

Principle four of the guidance states that as a general guide a default may occur when a borrower is in three months of arrears and normally by the time that they are six months in arrears. By January 2020, Mr A's account was at least six months in arrears, and I can't see that there was any reasonable prospect of Mr A bringing his repayment of this loan back on track. So, in my view, it was clear that the relationship between the parties had broken down. In these circumstances, it's unclear to me why Gracombex didn't default the loan at this point.

I accept that there is an element of business choice as to whether to default an account but nonetheless the ICO has released a document that puts out when a default may have been recorded, and I've seen nothing here to suggest that Gracombex ought to not have defaulted the account – at some point around January 2020. It also isn't clear to me why not having had any or very little contact from Mr A it took no further action – after all it wasn't aware of the IVA until over two years after the loan had been granted.

Had Gracombex recorded a default, which I think would've been fair, then this would've prevented the missed payment and arrears markers that have been applied since, because there would've been no reason for missed payment markers to be applied to an account that had already been defaulted.

Can the account be defaulted now?

Gracombex also says that it now can't default the account because it's subject to an IVA. It said the Steering Committee on Reciprocity (SCOR) prohibits this and instead says the account should be reported as part of a debt management plan and as well as being in arrears.

I have reviewed the most recent copy of the SCOR principles which were released in March 2024, and the only reference to reporting arrears, defaults or arrangements that I could find was within principle 5.1.4 which actually references the ICO document I've mentioned above.

I've therefore reviewed the ICO document to see whether there is any further guidance to deal with the situation here – that being Mr A had entered into an IVA but Gracombex wasn't notified of this until around two years later.

Looking at the ICO principles, there is an example that closely fits what has happened here because the ICO does foresee situations that may occur which mean a default should be applied after the fact – principle 4 goes on to say

*“Apart from being 3 or more months in arrears there are other circumstances which may lead to the recording of a default:...[1 to 4 not set out here as not relevant]
5. The account is or has been included in a bankruptcy, CCJ, Individual Voluntary Arrangement (IVA) or similar.”*

Mr A's loan account was included within the IVA and it seems to me that this is a reason to default the account rather than a reason not to do so in the way that Gracombex argues.

Gracombex has set out what it would now need to do if the account defaulted, as well as the process it would've needed to have gone through (and the time it would've taken to default the account). I've also thought about Gracombex's timeline that it would need to follow to allow a default to be applied. But the ICO's guidance also deals with this by saying;

The lender must have notified you of their intention to register a default against you at least 28 days before doing so, in order to give you time to make an acceptable payment or reach an agreement with them on an arrangement. This also applies in cases 1 - 3 above. However, in 4 - 5 the lender or provider does not need to provide a notice and can file a default as soon as they become aware of the situation.

So, in the circumstances, it's clear to me that at the absolute latest, the account ought to have been reported as being in default as soon as Gracombex was notified of the IVA – this is consistent with the principles and with good industry practice.

Further down, principle four under the heading "Relationship of defaults to CCJs, decrees, bankruptcies, IVAs and similar arrangements" the ICO sets out what would happen in a situation such as this – where the IVA has started and a new creditor is added at a later date.

"In normal circumstances lenders will be notified when the debt that is owed to them is to be included in an insolvency e.g. bankruptcy, IVA or similar and should be marked as included in that by filing a default as soon as is practical.

The default date must be consistent with that of the CCJ/bankruptcy or IVA; therefore a default should be filed as being no later than the date of the insolvency order. In circumstances where the lender is not immediately aware, the default can be filed at that point in time. If evidence of the insolvency date is provided, the default date recorded at the CRA will be aligned."

This is the exact situation here – Mr A entered into his IVA in 2019 and although Gracombex wasn't added to it or told about it until 2021, the guidance from the ICO does seem to suggest that the account should have been defaulted and then backdated to the date of the IVA.

I've considered what Gracombex says about applying the default now and the time it may take – but the guidance from the ICO is persuasive as to why it would be fair and reasonable for Gracombex to retrospectively defaulted the account. I'm persuaded that it is fair and reasonable for a loan that is approaching seven years old and has been in arrears pretty much from the outset not to have been defaulted.

In my view, had Gracombex taken the approach as outlined by the ICO which would've been fair and reasonable in the circumstances here, than the missed payment markers it subsequently added wouldn't have been there. The default would have been reported on for a period of six years and then when and if payments were made Gracombex would be in a position to reduce the outstanding balance.

What Gracombex should now do with the loan account

The IVA was started in August 2019 I am therefore going to be recommending that Gracombex retrospectively defaults the account and then backdates this default to August 2019 – which is the date the IVA was entered into.

However, as the IVA was entered into more than six years ago, it therefore follows that the account should be removed from Mr A's credit file – because once an account is defaulted it remains on a consumer's report for a period of six years regardless of whether the balance is settled. So, I am intending to direct Gracombex to update Mr A's credit file to reflect this.

However, just because the record will now need to be updated and removed from Mr A's credit file, that doesn't wipe the debt – and the account is still included within the active IVA and so that will continue. Again, as I've said there have been some repayment issues and I would encourage both parties to engage with the IP to fix these as soon as possible.

But in the circumstances, I don't think it would be fair nor reasonable for Mr A to not make any further payments to Gracombex as part of the settlement to the complaint. This is one difference with the investigator's recommendation.

Distress and inconvenience

The Investigator recommended that Gracombex should pay Mr A £250 in compensation. I agree that this is a fair figure and I'll now explain why I think this is the case.

I'm going to begin with looking at what has happened here. Mr A first identified that there may have been a problem in the summer of 2021 when he contacted Gracombex about the reporting of information on his credit file. So clearly, Mr A was aware that there may have been a problem a number of years ago and approached Gracombex for assistance – which was the correct thing for him to have done. Although a response was received at the time, Gracombex did make it clear what the situation would be moving forward. Still, it is clear that Mr A was aware of an issue for a number of years, has raised this with Gracombex and it's still not sorted it, as such there should be a payment of compensation.

The Investigator recommended a payment of £250 and that seems fair in the circumstances bearing in mind that Gracombex was always going to have to report some adverse credit file data and due to the IVA Mr A's credit file would've been impacted anyway.

However, I've noted Gracombex says that it doesn't consider that it's fair that it should have to pay out further funds to Mr A when it's barely received any payments from him or the IP at all. And if there was a payment to be made – it should be entitled to use this to offset the outstanding balance that Mr A currently has.

I've thought about this, and when an award is made, if it's financial for example, a recommendation is made to refund interest, fees and charges than ordinary that can be used to offset any balance that may have been due – and this is the case whether or not Mr A would be in an IVA. This is usually allowable as it's a direct financial loss caused by the actions of the lender.

However, where a payment of distress and inconvenience is recommended this is being made due to the actions or inactions of the lender towards a consumer. As such, typically the Financial Ombudsman would recommend that the funds are paid directly to the consumer regardless as to whether an outstanding balance remains. I see no reason not to follow that well trodden path in this complaint.

So, in this case, unless Mr A agrees to it, then I will be asking Gracombex to make the payment of £250 directly to him.

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 considered the additional points that Mr A has raised, but having thought about them I'm not changing the outcome I reached in the provisional decision and I've set out why below.

I accept that there have been problems between Mr A's IP and Gracombex with regards to whether payments were made and or received – but that isn't what I was asked to decide in this case – I was asked to look at whether Gracombex was reporting accurate information to Mr A's credit file.

I can't explain why Gracombex took so long to raise with Mr A's IP that the payment method it was using wasn't compatible with its systems. But that didn't impact the running of the IVA because payments were still being made – but it did impact the information recorded on Mr A's credit file. But for the reasons I gave in the provisional decision, Gracombex was incorrect to report the information that it did. Indeed, for the reasons set out in the provisional decision, it's likely Gracombex hadn't really got to grips with what it ought to have reported once it found out about the IVA in 2021.

And while I can completely understand that Mr A feels deliberately targeted here I don't think that is the case – and indeed I have no evidence that this was Gracombex targeting him – rather it was – albeit in my view incorrectly – attempting to receive payments that it was due under the terms of the IVA.

But any award that is made by the Financial Ombudsman isn't designed to punish a lender for a mistake or its actions. So even if I were to agree that Gracombex targeted Mr A – I wouldn't be able to issue a large fine or punitive award a significant amount of distress and inconvenience.

And I can also understand why Mr A feels that as a result of what has gone on and for the amount of time this has been ongoing that he shouldn't have to pay the money back to Gracombex. But the money owed is subject to an IVA and it wouldn't be appropriate for me to interfere in this in order to ask that Gracombex forgoes what it maybe owed.

Having carefully thought about what has happened, I still think the outcome that I previously reached and which is set out below is fair and reasonable in the circumstances of this complaint.

Putting things right

- Update Mr A's credit file to show the loan account defaulted in August 2019, as that is now more than six years ago the account will need to be removed from Mr A's credit file.
- Pay Mr A £250 for the distress and inconvenience that has been caused.

Should Mr A wish to accept this decision he will need to discuss the compensation with his IP to make sure he sticks to the conditions of his IVA.

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mr A's complaint.

Gracombex Ltd trading as The Money Platform should put things right for Mr A as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 January 2026.

Robert Walker
Ombudsman