

## **The complaint**

Miss W complains Marks & Spencer Financial Services PLC (“M&S”) left an adverse entry on her credit file for several years following a previously failed application for credit.

## **What happened**

On 4 February 2023, Miss W applied for M&S’s Sparks Pay account, a regulated credit account that would have allowed her to borrow up to £500 to spend in Marks & Spencer stores. M&S declined the application.

On 17 October 2025, M&S contacted Miss W to say it had identified a system error affecting a number of customers and that, because of that error, her application had been declined when it should have been accepted. M&S said it would remove the credit reference agency search connected with the application from her credit file.

Miss W wasn’t happy with that. She said the error had affected her credit file for over two and a half years and caused avoidable harm. She was also concerned it may have affected later lending applications. She asked M&S to pay £200 compensation.

In its final response dated 28 October 2025, M&S upheld the complaint. It said the entry on Miss W’s credit file was a hard search, which would likely have only limited and minimal impact, and it sent her a cheque for £25 for the upset and inconvenience caused.

After Miss W referred her complaint to the Financial Ombudsman, M&S offered to pay a further £25 to bring the total compensation to £50. Our investigator thought that was fair.

Miss W didn’t agree, so the complaint has come to me for a final decision.

## **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 may not comment on every point that’s been made. But I’ve considered everything both parties have sent me, and I’ll focus here on what I see are the key issues.

M&S accepts it made a mistake and that Miss W’s application should not have been declined. So I don’t need to say anything more about that. The main issue I need to decide is whether the steps M&S has taken, together with the offer it made, fairly reflect the impact its error had on Miss W.

I think the starting point is that, if M&S had processed the application correctly and approved it, it would still have carried out a hard search in connection with the application. So I don’t think it’s right to say the error itself resulted in additional adverse information on Miss W’s credit file that would not otherwise have been there.

Put another way, the error was not that M&S recorded the fact an application had been made. The error was that it wrongly declined the application. In practical terms, that meant Miss W was denied a credit facility she should have had, and spent time completing an application that should have succeeded.

Miss W hasn't pointed to any specific loss arising from not having the account, and I've not seen enough to persuade me that the application decline itself resulted in a separate "declined" marker, or any worse credit file entry, being recorded. And while Miss W was understandably concerned that later lending applications may have been affected, I haven't seen any evidence her other credit applications had been adversely impacted by the error.

I do understand why Miss W became concerned when M&S later said it would remove the hard search from her credit file. I can see how that might have suggested that the search should never have been there at all, or that her credit file had been materially worse for over two and a half years because of M&S's error. But it seems to me that M&S's offer to remove the search was simply a pragmatic way of treating the application as if it had not been made, rather than an admission that the search should not have been recorded in the first place.

I've also noted that Miss W didn't know about M&S's error until 17 October 2025. So while I accept she has been worried since then about what the mistake may have meant, I don't think the evidence supports a finding that she suffered two and a half years of ongoing distress since she made the application.

That said, I do think M&S caused Miss W distress and inconvenience from 17 October 2025 beyond what she should reasonably have expected. She became aware that M&S had declined an application that it should have accepted. And when it told Miss W about the error, it didn't clarify the hard search would still have appeared on her credit file in the same way even if her application had been successful. I think that likely contributed to her concern that other borrowing over the intervening period might have been affected.

However, I also think her concerns were likely tempered by M&S's detailed explanation in its final response, issued two weeks later, that hard searches have minimal impact and tend to disappear from a credit file after a limited period of time.

### **Putting things right**

In deciding what M&S must do to put things right, I've taken into account the time Miss W had effectively wasted in making the application, the understandable worry caused once the error came to light, the absence of persuasive evidence of any financial loss or ongoing damage to Miss W's credit file, and the other circumstances mentioned above.

I've also carefully considered our general approach to awards for distress and inconvenience as set out on our website. Having done so, I'm satisfied the £50 in total our investigator recommended fairly reflects the distress and inconvenience M&S's error caused Miss W. So I'm minded to uphold the complaint and make the same recommendation.

### **My final decision**

My final decision is that I uphold this complaint and direct Marks & Spencer Financial Services PLC to pay Miss W £50 in total for the distress and inconvenience caused. This is inclusive of the £25 cheque that was previously sent to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 30 April 2026.

Alex Watts  
**Ombudsman**