

The complaint

Mr G complains about how ZILCH TECHNOLOGY LIMITED trading as Zilch ('Z') responded to his debt solution.

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.

Mr G opened an account with Z around the start of April 2025. He complains that around the end of April 2025 when he told Z he was subject to a Debt Relief Order ('DRO') it closed his account and added negative information to his credit file. He says the DRO was already evident on his credit file when he opened the account. He says Z's actions had a significant impact on his wellbeing, including distress and worry about how they might impact his DRO status.

Z responded to Mr G's complaint on 21 July 2025 in a Final Response Letter ('FRL'). It explained it doesn't allow accounts for people who are going through insolvency like a DRO. And it didn't pick up Mr G's DRO during its credit checks. It confirmed it had updated his credit file to mark the account as paid in full and closed. And it offered him £100 compensation to apologise for the distress caused.

Mr G responded to say £100 was inadequate to reflect the significant distress caused and the threat to his DRO, including the overall handling of his complaint.

The matter was escalated to this service. Our investigator upheld the complaint but considered Z should pay Mr G a total of £250 compensation instead.

Mr G does not accept this is sufficient compensation. Z considers the amount of compensation is excessive. So the matter has been escalated 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.

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.

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 having been good industry practice at the relevant time. This includes the FCA Consumer Credit Sourcebook (CONC). And the FCA's Consumer Duty, which sets high standards of consumer protection across financial services.

I note Mr G is unhappy with how Z handled his complaint. However, it is important to note that complaint handling is not an activity I am able to consider and make an award for.

Furthermore, I note Mr G has referred to issues since his original complaint was answered by Z, including receiving marketing about being eligible for an account. Mr G has also made an information request which he says shows Z lied to him about when it closed the account and this led to avoidable delays in his credit file being updated. These are not matters I am dealing with here as they relate to events after Z responded to Mr G's initial complaint. Mr G can complain about this separately if he wishes.

After considering the information provided by the parties, including Mr G's detailed testimony I am upholding this complaint. However, I am not changing the compensation amount recommended by our investigator. I will explain why.

Z's errors

I can't tell Z exactly what credit checks it should carry out. But I can see here Mr G's DRO was likely showing on his credit file when he applied for an account with it. So if Z didn't pick this up, I can see why Mr G would be understandably upset when allowed an account, only then to be deprived of it because of the DRO.

Some responsibility might have been on Mr G here to have known about this when he applied. But I don't see where Z clearly communicated its position to Mr G at the outset - this only came later in response to his complaint.

I can also see when Mr G disclosed his DRO to Z it blocked his account but it didn't initially provide a clear explanation why. Causing avoidable frustration for Mr G. I think Z's customer service could have been better here. I can also see that Z responded to the disclosure by doing some confusing things, such as changing credit limits and setting up a repayment arrangement for Mr G when he hadn't requested one and appeared to be up to date with his repayments.

I can also see Mr G has provided evidence to show Z incorrectly reported the account status to credit reference agencies. Such as showing it as 'delinquent' even though there is no persuasive evidence to show Mr G was missing repayments. I can't see that Z acted fairly in reporting the way it did here.

Putting things right

While I can accept Z's literature (as far as I can tell) was not specific about its position on DRO's I am satisfied Z could fairly decide how it granted credit in its role as a responsible lender. And that its terms and conditions do refer to acceptable creditworthiness checks being the basis for granting a credit account to a customer. So I don't think it's reasonable for me to tell Z to re-open the original account in the circumstances here – as it closed the account when it discovered Mr G did not meet its lending criteria. However, Mr G should get compensation for the disappointment from the sudden account closure along with the frustration and anxiety caused by Z's customer service errors in connection with this (as discussed above).

Z confirmed to Mr G in response to his complaint that it had updated his credit file to show the account as closed and repaid in full. This seems reasonable. However, it should also pay Mr G compensation for the initial incorrect reporting and the frustration and anxiety this has caused him. I appreciate Mr G was very concerned about the impact of the credit reporting on his DRO. And while I note there is no persuasive information showing it has caused any issues with it (and I can see Mr G has confirmed his DRO has completed now), I can understand why this would be a source of great worry.

I know Mr G feels very strongly about this matter. The type of compensation awards that he

has quoted are far more than what I am directing Z to pay here. I do not wish to insult Mr G by proposing a much lower figure. Deciding compensation isn't a science. Here I can understand why Mr G was caused a lot of stress and anxiety about what occurred here. I think this is compounded by the specific vulnerabilities he has disclosed in detail to this service (and which he previously mentioned to Z). I have considered what he has said carefully about the impact on his wellbeing while balancing this alongside matters which I think are too remote to reasonably underpin an award of compensation here (for example Mr G's claims around the safety of doing his job due to Z's actions).

In deciding what is fair I have looked at the guidance on our website in respect of awards for distress and inconvenience. After doing so I think the proposed £250 compensation is broadly fair and reasonable. I think this reflects the impact of Z's errors on Mr G was notable – but took place over a relatively short period.

I remind Mr G that he doesn't have to accept my decision and can look at taking this matter by more formal avenues (such as court) if he thinks that is the right thing to do. He may wish to seek relevant legal advice in that case.

Putting things right

See below. I understand that Z has not made any compensation payment to date in respect of this matter. However, if it has then the amount below can be reduced accordingly.

My final decision

I uphold this complaint and direct ZILCH TECHNOLOGY LIMITED trading as Zilch to pay Mr G a total of £250 to resolve this complaint.

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

Mark Lancod
Ombudsman