

## **The complaint**

Mr J complains about the impact that a default incorrectly recorded on his credit file by Ikano Bank AB (publ) has had on his ability to obtain a mortgage.

## **What happened**

Mr J took out a loan with Ikano at the end of April 2024 which was due to be paid by September 2024. However, this wasn't paid in full until December 2024 due to Mr J missing payments. Due to three missed payments, Ikano issued a default which was registered on Mr J's credit file. Whilst the matter was with our Service, Ikano said it had made an error. Ikano explained that whilst Mr J had missed payments, because he had made some payments in between the relevant payment due dates, this had brought the account up to date. So, it had issued the default too early as by the time this was issued the account had been paid in full. To put things right, Ikano said that it would remove the default from Mr J's credit file. It also offered to pay him £400 in compensation.

Our investigator thought Ikano's offer was fair and reasonable. Mr J disagreed. After obtaining Mr J's credit file and other information, I issued my initial findings. I let both parties know I was satisfied the offer made by Ikano was fair and reasonable. Mr J disagreed with my initial findings. He said that I had a misunderstanding of how credit files worked. Mr J said because the default had been applied by Ikano within twelve months of his mortgage application, this was the only reason his application was declined. Mr J added that this was also shown by the fact his mortgage application was approved once the default registered by Ikano had been removed. Mr J said the other defaults which were shown on his credit file from two separate businesses were 'historic' and hadn't made any difference to him obtaining a mortgage previously. So, he considered it was only Ikano registering the default which had resulted in him being declined the most recent mortgage.

I issued a provisional decision in response to the further information I received. Neither Mr J nor Ikano provided anything further, so I'm issuing my 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.

As I said in my provisional decision, I want to reassure Mr J that I've fully taken into account all of his further submissions. I've noted what he has said about his family situation and all of the other matters he's raised. If I don't mention anything Mr J has said, it's not because I've failed to take it into account. My decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy – it simply reflects the informal nature of our Service. As I've received no new information or evidence in this case from either party, my final decision remains the same as my provisional decision which is as follows:

I'll begin by saying that I remain of the view that Ikano's offer to pay Mr J £400 as well as to remove the default from his credit file, which it appears to have already done, is a fair and reasonable way to resolve this matter. I'll explain why.

Mr J maintains the sole reason his application for a mortgage was declined was due to the default registered by Ikano. Mr J says he's suffered losses and difficulties due to the stress caused by Ikano incorrectly registering a default such as the impact it's had on his family. He says he wants to be compensated for these issues including the loss of enjoyment of a holiday costing £18,000. I'm sorry to hear about the difficulties Mr J has had in this regard. However, before I can fairly consider whether Ikano should pay compensation for the issues he attributes to its mistake, I'd need to be satisfied this all happened due to Ikano's mistake and not due to his circumstances more generally.

When Mr J came to our Service he told us that apart from the negative reporting by Ikano he had an otherwise 'immaculate' credit file. Having been provided with a copy of his credit file, I can see he had two defaults registered by two other companies. Whilst I know he says these were 'historic' they were still showing on his credit file report. These entries along with the three missed payments which had been correctly recorded by Ikano, could've contributed to the decision by his lender to decline his mortgage application.

Mr J says once the default applied by Ikano had been removed his application for a mortgage was accepted. He says this is evidence it was only because of Ikano's mistake that his mortgage application was initially declined. However, there are several other reasons which could've contributed to this particular decision including the three missed payments which were recorded by Ikano in July, September and October 2024. Whilst Mr J has said that missed payments wouldn't have led to his mortgage application being declined, and is not as serious as a default, these can still have a negative impact on a person's ability to obtain credit as missed payments are a sign of an inability to meet current credit obligations.

Mr J disputes that Ikano should've recorded these missed payments. In my view, he's provided insufficient evidence to show that Ikano has acted incorrectly here. For example, Ikano tried to take the direct debit payment due on 31 July 2024 from Mr J's bank. This was reversed which Ikano said was due to insufficient funds. The next direct debit payment was successful and was made on 2 September 2024. However, the payments due on 30 September and 31 October 2024 were both missed. The next direct debit payment was taken on 2 December 2024 with a final payment being made manually by Mr J on 5 December 2024. Ikano has said that if all the payments had been made on time, Mr J's agreement would've ended on, or around 30 September 2024. But due to the missed payments it ended on 5 December 2024. So, I don't think Ikano acted incorrectly when it recorded three missed payments on Mr J's credit file. If Mr J had sufficient funds he could've made these payments manually as he did on two other occasions.

I note what Mr J says about his credit score being impacted. Whilst the default may have impacted on the credit score, in light of the other information on Mr J's credit file, I'm not persuaded it was Ikano's reporting of a default that led to him being declined for a mortgage. Whilst a good credit score indicates a high likelihood of repaying a loan, it doesn't guarantee a lender will extend credit based on this alone. I think there were other factors which could've impacted on the lender's decision in this case including the other registered defaults which are still visible on Mr J's credit file. And whilst I know these defaults may not have prevented Mr J from obtaining a mortgage previously, he also had three missed payments due to him not meeting his payment obligations under the Ikano loan. I should also say that a credit file is only one factor when considering lending – lenders also take into account factors such as a person's income, outgoings, and recent credit applications. Any of these factors could've impacted on Mr J's mortgage application being initially declined.

Mr J has pointed to his mortgage adviser's statement to support his position. Amongst other things, the mortgage adviser said: "...I can confirm that I spoke to you several times whilst you were in [X] trying to get this sorted as your application was declined due to this default." But the

adviser doesn't provide anything more specific than this. They don't, for example, provide anything from the lender to say this was the reason the application was declined. So, I remain of the view there's insufficient evidence for me to conclude it was solely due to Ikano's mistake that Mr J's application for a mortgage was declined.

Mr J doesn't think I have the relevant knowledge and experience to reach this decision. But I've considered all the available evidence in reaching my decision including his credit file and all the other evidence he'd provided to us. And having done so, I remain satisfied that Ikano's offer is a fair and reasonable way to resolve this complaint. In reaching this conclusion, I've taken into account that this was a distressing experience for Mr J. And caused him worry and upset which put him to the trouble of having to take steps to resolve this matter. As noted above, it was only when the matter came to our Service that Ikano accepted it had made an error. In all the circumstances, I think a total of £400 as well as the removal of the default from Mr J's credit file, fairly and reasonably recognises the impact of Ikano's mistake in this case.

I appreciate this is not the outcome Mr J was hoping for. As noted above, my role is to look at things informally. So, if Mr J disagrees, he can reject my decision and pursue matters by alternative means if he wants, such as court (seeking appropriate advice in the process).

### **My final decision**

My final decision is that I uphold this complaint, and I require Ikano Bank AB (publ) to pay Mr J £400 for the distress and inconvenience it caused to him. It appears that Ikano Bank AB (publ) has already arranged for the default to be removed from Mr J's credit file. However, if it hasn't done so already, Ikano Bank AB (publ) will need to make sure the default has been removed from Mr J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 15 May 2026.

Yolande Mcleod  
**Ombudsman**