

## **complaint**

Ms D complains that MBNA Limited incorrectly recorded a default on her credit reference file.

## **background**

In 2010 Ms D found herself in financial difficulties and approached a debt management company to help her. It sent MBNA a statement of her income and expenditure and an offer for Ms D to make a monthly payment of £11.04. MBNA wrote to Ms D in September 2010 to confirm it has stopped all further charges and interest, but that the offer was not enough to set up a formal repayment plan. The bank's records show that arrears letters were sent to Ms D and in April 2011 it issued default letter. The account was defaulted in June 2011 and the debt was transferred to a debt collection agency.

In 2015 Ms D complained that her credit file showed the debt as a default rather than an arrangement to pay and that it was recorded by both MBNA and the debt collection agency. MBNA responded by saying that it had correctly defaulted the account and it had correctly reported the state of the account to the credit reference agencies. Ms D brought her complaint to this service.

Our adjudicator did not recommend that it be upheld. She said that the bank had accepted the payment offer made by Ms D, but it had made it sufficiently clear that this was not an arrangement to pay as the payments were not enough to clear the debt in an acceptable time. She was also satisfied that the bank had reported the situation correctly to the credit reference agencies. MBNA had removed its entry in 2014 as a goodwill gesture following a request from Ms D. She did not agree with the adjudicator's view as she considered the debt had been recorded twice, by the bank and the debt collection agency.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I am satisfied that MBNA did not accept Ms D's offer as an arrangement to pay as the monthly payment was not enough to clear the debt within a reasonable time. I am also satisfied that it sent Ms D the necessary letters to notify of the default and the transfer of the debt to the debt collection agency.

I asked MBNA for clarification on the recording of the debt on Ms D credit file. It said:  
*"The customer's account defaulted on 30 June 2011 as result of the account reaching six payments in arrears. The outstanding debt was sold to [the debt recovery agency] on 26 January 2012. We registered a default on the credit file, however when we sold the debt we reported this as satisfied. [The debt collection agency] then began their report of the default. The two defaults do not run at the same time. [The debt recovery agency] have taken over the reporting of the default as they purchased the outstanding debt. We are aware that the customers can be a little bit confused with two entries but this is correct.*

*Any account which is flagged as sold (S flag) will act as a 'ghost' account and it is not included in any credit scoring. We send the bureau an S flag to instruct that the account is sold. It is not wrong and it is industry standard.*

The bank's response refers to the debt being sold in January, but I think they have made an error with the date. I agree with the bank that the way debts are recorded can be confusing, but I consider that it has not made an error in the way it notified the credit agencies of the debt. The entries on Ms D's credit file for the debt contain many of the same details, but they do differ and I am satisfied with MBNA's assurance that there is no double counting for credit scoring purposes. I can understand Ms D's concerns which were heightened by the bank agreeing to delete the entry as a gesture of goodwill in 2014, but I hope she is reassured by MBNA's response.

**my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms D to accept or reject my decision before 2 October 2015.

Ivor Graham  
**ombudsman**