

complaint

Mr and Mrs S complain that Barclays Bank Plc recorded a default on their credit files, even though they made payments on a debt repayment plan. Barclays had also not amended the credit files correctly when Mr and Mrs S eventually paid off the outstanding balance.

Mr and Mrs S would like the default removed from their credit rating, and compensation for distress and inconvenience.

background

Mr and Mrs S had a joint account with Barclays, which got into debt and was transferred to the bank's collections department in 2008. In early 2009, they arranged a reduced repayment plan with several creditors, including the debt on their Barclays account.

Barclays wrote to Mr and Mrs S in summer 2009, to say the repayments proposed wouldn't pay off the debt quickly enough, so the account would be closed and would be sent for recovery. It also sent Mr and Mrs S a separate letter about the termination, telling them that the bank would register details with credit reference agencies which might seriously affect their ability to obtain credit.

Mr and Mrs S say they never received either of these letters, though the letters were sent to their registered address.

When Mrs S tried to obtain credit in 2013, she discovered that her credit rating showed the original debt of £3,039 and an outstanding balance of £52. She complained to Barclays. The bank said that the default figure was right, because it accurately represented the debt when the account was closed as a bad debt. It accepted, however, that Mr and Mrs S had finally paid off the debt in May 2013, but the bank hadn't updated the credit files quickly enough.

Mr and Mrs S complained to us. Following the adjudicator's involvement, the bank offered £100 for distress and inconvenience for not having updated the credit files promptly when the account was finally paid off. The adjudicator explained to Mr and Mrs S that the default figure was correct, because it was the amount owing when the bank said the payments weren't enough and the account would have to be paid off or sent to recovery.

Mr and Mrs S say they didn't receive the bank's letters in summer 2009, and they think the bank is trying to cover up its mistakes. They say that their debt management company also didn't receive any letters from Barclays. Mr and Mrs S also think that because they engaged in a debt management scheme, and repaid the money, the credit reference isn't accurate.

They say that as they were paying money every month, the account wasn't in default.

my findings

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

The fact that Mr and Mrs S say they didn't receive Barclays' two letters in summer 2009 doesn't change the fact that there was a debt for £3,039. There was also no requirement for Barclays to write to Mr and Mrs S's debt management company as well as to Mr and Mrs S.

Banks have a duty to report defaults when they occur, and paying money each month doesn't mean there wasn't a default in the first place. But their payments are reflected in the credit report, so they do get some benefit from having made payments.

The default figure was accurate for the debt when the bank, effectively, gave up on being able to collect it within reasonable timescales, and closed the account. I can only make a bank change this if the figure was wrong, and it wasn't. So I can't tell Barclays to change this.

I agree with Mr and Mrs S, and the adjudicator, that Barclays should have updated the credit record earlier, to show Mr and Mrs S had made their final payment and successfully cleared the balance. So I agree that it's appropriate for Barclays to pay compensation for the distress and inconvenience this caused.

The level of compensation we award for distress and inconvenience is shown on our website

www.financial-ombudsman.org.uk/publications/technical_notes/distress-and-inconvenience.htm.

Using this as a guide, I consider that the £100 offered by Barclays, for failing to update the current outstanding balance figure promptly, is appropriate.

my final decision

My final decision is that Barclays Bank Plc's offer to pay Mr and Mrs S £100 is fair. I leave it to Mr and Mrs S to decide whether or not they wish to accept Barclays' offer.

Belinda Knight
ombudsman