

## **complaint**

Mr G isn't happy with the information MBNA Limited has recorded on his credit file.

## **background**

In 2011 Mr G was having financial difficulties. He talked to a debt management company. Mr G then entered into a debt management plan (DMP). One of the debts was with MBNA.

MBNA accepted reduced payments on Mr G's account. But there was a problem working out how much Mr G needed to pay MBNA to stop a default being registered. The payments made to his account were too low. Mr G didn't know this. MBNA recorded a default on his credit file.

Mr G asked us to look into his case. MBNA accepted that Mr G didn't know his payment was too low. It had been worked out by the debt management company. MBNA offered to remove the default. It said it would update his credit file to show there was an arrangement in place on the account.

MBNA also wanted to make Mr G aware that the default was due to be removed from his credit file in 2018. But if the default was removed, the arrangement marker would be on his credit file for longer than this.

Our adjudicator found MBNA's offer was fair. But Mr G wants an ombudsman to look at his case. He says MBNA haven't acted in line with the guidance on defaults issued by the Information Commissioner's Office (ICO).

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When MBNA found out that Mr G was in financial difficulties, it froze the interest and charges on his account. It agreed to accept a lower payment. MBNA didn't put his account in a formal arrangement. To do that, Mr G's lower payment had to be enough to clear his debt within five years.

But the debt management company worked out the reduced payment to MBNA based on a balance that was wrong. The actions of the debt management company have been looked at by us under a separate complaint. I won't comment on that complaint. But I've seen nothing that satisfies me that this was MBNA's fault.

From June 2011, Mr G began making the lower payments. But because the payments were too low for MBNA to put him on a payment arrangement, his account started to fall into arrears. By May 2012 the arrears had reached a total of six payments. This was when MBNA recorded the default.

The reduced amount Mr G was paying to MBNA was only slightly lower than what was needed for it to put his account on an arrangement to pay. I'm satisfied that if Mr G had known this at the time, he would have increased his payment by the small amount that was needed.

Mr G's credit file would then have shown his account as having a payment arrangement on it from June 2011. The default would never have been registered. MBNA accept this. It has offered to remove the default. It says it will then update Mr G's credit file to show a payment arrangement on his account from June 2011 until the debt was cleared in June 2014. I'm happy that this is fair.

But Mr G says by making reduced payments he was put in a worse position than someone who has made no effort at all to make payments. He says that this goes against the ICO's guidance. Mr G says if he hadn't made any payments, MBNA would have recorded the default in December 2011. This is when his account would have become six payments behind.

Mr G wants MBNA to backdate his default to December 2011. This would mean it would be removed from his credit file sooner. MBNA won't do this. It says Mr G did make payments. So his account didn't fall six months behind until the following May. I'm satisfied MBNA's stance on this is reasonable. Backdating the default isn't an accurate reflection of what happened on the account.

Mr G thinks backdating the default date is better than having it replaced with an arrangement to pay marker on his account up until June 2014. I don't agree. Nor do I agree that he was placed in a worse position than someone who made no effort to make any payments.

Mr G says having his credit file show an arrangement to pay until June 2014 affects him more than having a default recorded in December 2011. This isn't necessarily right. Many lenders will look at an arrangement to pay in a more positive light than a default. It shows the lender that the customer has tried to deal with financial difficulties instead of ignoring them.

Although each lender has its own lending guidelines, many will ignore a payment arrangement after a set period of time from when it ended. This is often after three years. This is also more likely when the debt has been paid off, as it has been here.

Also, by accepting a reduced payment, freezing interest and charges, MBNA treated Mr G positively and sympathetically. By waiting until he was six months in arrears before recording the default, MBNA allowed Mr G the flexibility during this time to look at ways to clear the arrears, or the whole debt, and avoid a default.

In this case Mr G didn't do so. But the flexibility was there. It was there until May 2012. That flexibility wouldn't have been there for so long if the default was recorded in December 2011.

In the circumstances, I'm satisfied MBNA's offer to replace the default with an arrangement marker is fair. I'm happy that it is consistent with the ICO guidelines.

### **my final decision**

My final decision is that MBNA Limited has made a fair offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 October 2015.

John Miles  
**ombudsman**

