

complaint

Mr B complains that Lloyds Bank PLC unfairly placed late payment markers on his credit file.

background

Mr B got into financial difficulty a number of years ago. He entered into a debt arrangement scheme. But he says Lloyds continued to mark his credit file with late payments, even though his other creditors placed defaults against his other debts. Mr B feels Lloyds has treated him unfairly. If the bank had recorded a default it would've cleared from his credit file after six years. But the markers are still affecting his rating. So he'd like his file to show a default on the Lloyds account from when he entered the debt arrangement scheme in 2012.

Lloyds said it'd correctly reported the debt arrangement scheme to the credit reference agencies. And the scheme meant it was unable to default the account. The late payments were recorded on Mr B's credit file as he hadn't met his contractual obligations before entering the scheme. And Lloyds had noted on his file that the account was now being paid as part of a debt management program.

Mr B wasn't satisfied with Lloyd's response. So he contacted our service and our investigator looked into the matter. Lloyds had been informed about the debt arrangement scheme in October 2012. Our investigator could see Mr B had made regular payments under the scheme. So he didn't feel his relationship with Lloyds had broken down. And a default wouldn't normally be registered unless the terms of the arrangement had broken down.

But he felt the markers on Mr B's credit file were showing incorrectly. There was an agreed arrangement to pay in place. So the markers shouldn't be recorded as late payments. He felt the markers should show as an arrangement to pay ('AP'). That was how other lenders had marked Mr B's file. So he felt Lloyds should correct Mr B's credit record to amend the markers' to 'AP' markers after October 2012 when the scheme had been accepted.

Lloyds didn't agree. So it's asked for an ombudsman's final decision. Mr B's account was more than six months in arrears. So the '6' markers were correct. And the debt arrangement was correctly recorded on his credit file. Lloyds said it couldn't show the payments as 'AP' as that wasn't how the bank reported in such circumstances. It'd followed its procedures correctly.

my provisional findings

I took a different view to our investigator. So I issued a provisional decision setting out my view of the case and inviting further comment. In summary I said there were two main issues so I dealt with each in turn:

defaulting the account

- Lloyds accepted the debt arrangement scheme in October 2012. So I think it would be fair to say Mr B was trying to find a way of repaying his debt to Lloyds. And the relationship between the two parties hadn't broken down.
- I would expect a default to be registered once the customer was at least three months behind with their payments. And usually by the time six months of missed payments had elapsed. Lloyds accepted the debt arrangement scheme in October

2012. So I wouldn't have expected Lloyds to register a default against the account in those circumstances.

- Mr B is now making payments towards his debts through the debt arrangement scheme (DAS). And Lloyds is prohibited from placing the account in default under the terms of the scheme. So that's not something I can ask the bank to do.

credit markers

- Mr B's credit report shows a number of accounts marked as being paid as part of a debt management program. But such a scheme is likely to affect a customer's credit rating while they remain in the plan. Our investigator felt Lloyds should've placed "AP" markers on Mr B's credit file once he had an arrangement to pay. But he noticed Lloyds was using a '6' marker to indicate missed payments.
- I can see our investigator has had a comprehensive discussion with Lloyds about this. And I've looked very carefully at everything that's been said.
- Lloyds said Mr B was six months in arrears on his full monthly payments at the time the DAS was entered into. And the bank has followed its procedures correctly by recording this on Mr B's credit file. Lloyds said the scheme didn't constitute a permanent change in the payment terms. It was a temporary agreement and Mr B hadn't been issued with a new agreement or account terms. I agree with the bank that the DAS is a temporary arrangement and therefore wouldn't affect which markers should be used afterwards.
- Based on what I've seen I can't really say Lloyds has done anything wrong. It wouldn't have been right to put Mr B's account into default before he entered the DAS in October 2012. And it isn't able to do so while Mr B continues to make payments under the scheme.
- Mr B was in arrears on his payments when he entered the DAS. Lloyds has reflected this on his credit file. And the debt management plan is also recorded on his file.

responses to my provisional decision

Lloyds accepted my provisional decision. Mr B said he still felt the markers were unfair. He'd made the final payment to clear the outstanding debt. But he'd have been better off if he hadn't arranged any payment plan with Lloyds.

my findings

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

I'm pleased to see that Mr B has been able to pay the final balance on his plan. As I've said previously it is to his credit that he has made arrangements to repay his debts. And I hope he is able to move forward and his credit file reflects his improved position in due course.

I appreciate that Mr B feels he'd have been better off if he'd not entered the payment plan and instead allowed the account to be defaulted. And I realise the markers have appeared on his file for a longer period of time that he feels is fair. But I've not seen anything to alter my view that Lloyds hasn't really done anything wrong. And I won't be asking Lloyds to change the markers it's reported on Mr B's credit file.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 March 2020.

Andrew Mason
ombudsman