

complaint

Mr S complains that MEM Consumer Finance Limited trading as Payday UK ("Payday UK") wrongly recorded in his credit records that his loan was settled using a debt management plan ("DMP"). Mr S says this is incorrect and caused him to have a mortgage application declined. He wants his credit records amended and compensation.

background

Mr S took out payday loans with Payday UK from December 2012 onwards and paid it off in 2014. He was late in paying the debt, and a third party did act on his behalf at various points. The last payment which cleared the debt was made by Mr S, who denied that he was in a DMP. In 2016, Mr S applied for a mortgage and he said that the application was unsuccessful due to Payday UK recording that the debt was paid using a DMP.

Mr S complained to Payday UK. It wasn't able to respond formally within an eight week period. It said as the third party who had contacted them was a debt management company charging debt management fees, it wasn't wrong to have said the loan was cleared due to a DMP.

Mr S complained to us and said that the third party didn't just deal with DMP's, but also gave financial advice and dealt with creditors, which was what it did for him. He also said Payday UK had earlier said it would change his credit records to reflect the correct position.

The adjudicator's view was that as the third party charged debt management fees and told Payday UK that, it wasn't unfair or unreasonable for it to believe Mr S was in a DMP and record that in his credit records. But as Payday UK did initially tell Mr S that it would change his records and caused Mr S inconvenience, she thought he should receive compensation for his trouble and upset. Payday UK offered £50, which the adjudicator thought fair and reasonable.

Mr S disagreed. He sent evidence that he wasn't able to get a mortgage purely because of the reference to a DMP in his credit records. Mr S said a DMP was different to an arrangement to pay, and a DMP was arranged by a company, not a debtor. He said he arranged the repayment plan with Payday UK, so there wasn't a DMP in place. Mr S also pointed out that the words used in the credit records suggested the DMP was still paying a debt which had been paid in full.

my findings

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

This complaint turns on what does a DMP actually mean? It isn't a term set out by law, and can mean different things to different people. Mr S says that a DMP is an agreement to repay a debt proposed by a third party on behalf of a debtor; I agree.

But looking at the evidence, the third party representing Mr S wrote to Payday UK in May 2012, with documents saying Mr S was in debt management, and asked on his behalf for Payday UK to let him repay the debt by paying £5 per month. Before this, Mr S wasn't paying £5 per month, and after this he did until the final payment of £17 was made. In other words, the third party made an offer on Mr S's behalf about how the debt would be repaid, and it was accepted. From what I've seen, I'm satisfied Payday UK acted fairly and reasonably in recording that the debt was paid using a DMP.

Mr S pointed out that the words recorded in his credit records say the DMP is ongoing, and again I agree. "The account is being paid as part of a debt management program" clearly can only mean the DMP is ongoing. But I also note the loan is marked as settled, and Mr S says that the credit reference agency doesn't allow the wording to be changed to say the loan was paid due to a DMP.

It isn't inaccurate for the credit records to record the debt was paid partly through a DMP. And as the loan is marked as settled, I think it's more likely than not that a lender would upon review realise that the loan has been paid. While I agree the wording isn't ideal, if the credit reference agency doesn't allow the wording to be placed into the past tense, that isn't the fault of Payday UK. The entire entry in my view makes it clear the loan was paid partly through a DMP, which is accurate.

I considered whether it's fair and reasonable for Mr S to receive compensation for his trouble and upset. As I don't think the credit records should be changed, he shouldn't receive compensation for that, but I agree it was confusing for Payday UK to say it would change the records and then change its mind, particularly at a time when Mr S was trying to get a mortgage. Based on what I've seen, I agree with the adjudicator that £50 is fair and reasonable in all the circumstances.

my final decision

My final decision is that I uphold the complaint and MEM Consumer Finance Limited trading as Payday UK should pay £50 compensation to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 October 2016.

Claire Sharp
ombudsman