

### **complaint**

Mr U complains that, some years ago, Lloyds Bank PLC unfairly recorded default information on his credit file. He says that he entered into a payment arrangement with the bank when he fell into financial difficulty. Mr U has since made a partial settlement with the bank. But he believes that it would have been correct for Lloyds Bank to show that he was in a payment arrangement, rather than that he was in default. He wants the bank to compensate him for consequent damage and financial loss, due to higher borrowing costs and his inability to obtain preferential credit terms.

### **our initial conclusions**

Our adjudicator wasn't minded to propose that Lloyds Bank pay Mr U compensation. She thought the bank had acted positively and sympathetically towards Mr U in agreeing to accept reduced payments. And she didn't think it had been wrong to register the account as being in default, given the level of Mr U's arrears and his stated ability to make payments. But Mr U didn't accept the adjudicator's conclusions. He maintained the bank was wrong to register the account in default.

### **my final decision**

To decide what's fair and reasonable in this complaint, I've considered everything Mr U and Lloyds Bank have provided. Having done so, while I understand the points Mr U has made, I've reached a similar conclusion to the adjudicator, in that I don't consider Lloyds Bank has acted wrongly.

I say this because the information I've seen regarding the account conduct indicates that it was in arrears and that Lloyds Bank issued formal demand before it accepted Mr U's reduced payment proposal. Mr U's own evidence is that he wasn't in a position to comply with that demand – he was at that time proposing to pay the bank £1 per month (later increased to £5). So he was in default of his obligation to pay the contractual amount<sup>1</sup>. I don't consider that the fact the bank subsequently agreed to accept what Mr U could afford to pay means it was wrong to record the default. It seems to me that this was simply a pragmatic move on the bank's part. I've seen no evidence Lloyds Bank told Mr U that making those reduced payments would avoid the default. After all, by that time the information had already been recorded on his credit file<sup>2</sup>.

**For the reasons I've explained, 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 U either to accept or reject my decision before 12 February 2015.**

*Niall Taylor*

*ombudsman at the Financial Ombudsman Service*

The ombudsman may complete this section where appropriate – adding comments or further explanations of particular relevance to the case.

### **ombudsman notes**

<sup>1</sup> In his complaint correspondence, Mr U has referred to credit reference company guidance. That guidance says that default registration is made when a credit agreement has ended because the borrower has failed to keep to their credit agreement and not responded satisfactorily to requests to bring their payments up to date. That seems to me to be a fair reflection of what happened in Mr U's case – the payments he was able to make may have been all he could afford. But that doesn't necessarily mean they were a satisfactory response to the bank's formal demand.

<sup>2</sup> Mr U has provided a copy of his credit file, which indicates that he has been in arrears with other creditors aside from Lloyds Bank. Even if I were to agree that the bank incorrectly recorded the default – which I do not – it seems likely that the payment arrangements he's made would similarly affect his ability to obtain further credit.

### **what is a final decision?**

- A final decision by an ombudsman is our last word on a complaint. We send the final decision at the same time to both sides – the consumer and the financial business.
- Our complaints process involves various stages. It gives both parties to the complaint the opportunity to tell us their side of the story, provide further information, and disagree with our earlier findings – before the ombudsman reviews the case and makes a final decision.
- A final decision is the end of our complaints process. This means the ombudsman will not be able to deal with any further correspondence about the merits of the complaint.

### **what happens next?**

- A final decision only becomes legally binding on the financial business if the consumer accepts it. To do this, the consumer should sign and date the acceptance card we send with the final decision – and return it to us before the date set out in the decision.
- If the consumer accepts a final decision before the date set out in the decision we will tell the financial business – it will then have to comply promptly with any instructions set out by the ombudsman in the decision.
- If the consumer does not accept a final decision before the date set out in the decision, neither side will be legally bound by it.