

complaint

Mr P complains that Paragon Finance Plc (trading as '*Idem Servicing*') wrongly reported to Credit Reference Agencies that he'd missed payments on his account.

background

Paragon purchased Mr P's credit card debt from a third party in March 2012. At this time Mr P was in a debt management plan and payments were being made to the account through a debt management company.

The account was closed after a final payment was made to clear its balance in September 2018. But Mr P complains that Paragon incorrectly reported that he'd missed payments to the account. He says this wasn't the case, and doesn't think his credit report should be impacted. He's told us it has affected mortgage applications he's made.

Paragon explained that the account fell into arrears in December 2015 when reduced repayments were received. It said this was reported to Credit Reference Agencies (CRAs), together with a debt management status. And that this was reported correctly, so it couldn't amend this information.

Our investigator thought Paragon had reported this information to the CRAs correctly. But Mr P disagrees. He says that Paragon is the only creditor who placed a non-payment marker on his credit file in this situation. And that had he realised this would affect his credit file he would have sought to find the funds to pay the extra money required.

So the case has been passed to me review.

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 know Mr P will be disappointed, but I've reached the same conclusions as our investigator did here. I'll explain why.

Mr P's debt was transferred to Paragon from a third party in March 2012. To be clear, I am only considering the actions of Paragon when looking at this complaint.

Paragon has explained that the third party had converted this debt into a fixed payment loan prior to the transfer. Mr P and Paragon disagree about what the exact payment arrangements were at the time the account was passed to Paragon. Paragon say the agreed monthly terms were that Mr P would make payments of £44 a month, and this is reflected on his credit report. But Mr P says payments were set at a lot less, around £16-£18 a month, increasing on a yearly basis.

Where evidence is incomplete or contradictory then I have to base my decision on the balance of probabilities – that is, what I think is most likely to have happened.

Given the amount of time that has passed it's difficult for me to be absolutely certain as to what the exact payment arrangement was. But Paragon has shown us evidence that during 2011 two monthly payments of £34.31 and £13 a month were being made towards this account to the third party.

When Paragon took over the account in 2012 it recorded on its system that payments of £44 a month were due. And looking at an historical statement of payments I can see that between March 2012 and July 2015 the debt management company was making payments to Paragon for between £34 and £39 a month, and an additional monthly standing order remained in place for £13. So payments in excess of £44 a month were maintained to the account for a number of years.

Paragon wasn't reporting any arrears on the account at this point. So I think, on balance, it's likely that £44 a month was accepted as the expected monthly payment at this time subject to an annual review.

In July 2015 the debt management company representing Mr P contacted Paragon and offered a reduced repayment amount. Paragon initially agreed to accept repayments of £16.36 a month for 12 months. After further contact from the debt management company towards the end of October 2015 it agreed to accept repayments of £17.11 a month for 12 months.

In the interim I can see Mr P contacted Paragon on 2 October 2015 and made a manual payment of £76.03 to clear any arrears that had accrued on the account up until that point. But he didn't make any further standing order or 'top up' payments in addition to the amounts being paid through the debt management company until July 2017.

Mr P's credit report shows that arrears were first reported on the account in December 2015.

The Information Commissioner's Office published its *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies* in 2014. This provides that where a temporary reduction in the payment amount is jointly agreed between the account holder and the lender, this arrangement will be reported to credit reference agencies. And that during the period of the arrangement arrears may continue to be calculated in accordance with the contracted terms.

Looking at Mr P's credit report, this is what happened here. He entered into an arrangement with Paragon (through the debt management company) to make repayments for less than the amount originally agreed. Which meant that although payments were still being made to his account, arrears accrued. This is reflected by the markers on his credit file. I can see that his credit file also shows that this account was subject to a debt management programme.

Mr P has suggested his account should have been defaulted at an earlier date. He says Paragon were the only creditors who placed these markers on his credit file whilst he paid the agreed amounts.

In these circumstances, where reduced repayment arrangements are in place, it's reasonable for a business not to register a default unless the terms of the arrangement are broken. Looking at the payment history for the account I can see that Mr P maintained the agreed repayments each month. So I don't think it was unreasonable for Paragon to continue the payment plan and not default his account.

Furthermore Paragon has an obligation to report accurate information to Credit Reference Agencies. And I'm satisfied that this is what it's done here.

I appreciate Mr P's comments that he didn't know exactly how these arrangements would be reflected on his credit report. And I do sympathise with him. But he has also told us that Paragon sent out proforma information stating that his credit file might be affected. And I can see that notes Paragon made in relation to a phone call it had with Mr P in October 2015 reference that the reporting of his account to Credit Reference Agencies was discussed. Paragon has also shown us that it dealt with the debt management company acting on Mr P's behalf when setting up these reduced repayment plans, rather than with Mr P directly.

I'm sorry to disappoint Mr P, but overall I haven't found that Paragon has acted unfairly or unreasonably here. So I'm afraid I won't be asking it to make any amendments to his credit file, or take any further action in respect of this complaint.

my final decision

I do not uphold this complaint for the reasons outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 April 2020.

Jenette Lynch
ombudsman