

complaint

Mr D complains that Lloyds TSB Bank Plc did not remove a default notice from his credit file, after it had told him that it would update his file once he cleared the debt. He also complains that, if the bank had not mis-sold him payment protection insurance (PPI) for his loan, he would not have built up arrears. He wants the bank to remove the default.

background

Mr D had a loan from the bank. He experienced financial difficulties and, from 2007, made reduced payments. Over the next 18 months or so, arrears accrued on the account and eventually the bank transferred it to its debt recovery team with arrears of about £1,300.

Part of this process is that the bank sends a default notice to the customer. The bank did this in July 2010 and also told Mr D that, if his circumstances had not changed, he did not need to respond. The default was added to Mr D's credit file in early September 2010.

Mr D repaid the debt in November 2010 and says the bank promised to update his records when he called. He also says that if the bank had told him in 2010 that he had possibly been mis-sold PPI on the loan, he would have been able to claim for this, clear the arrears on the loan and avoid the default.

The adjudicator did not recommend that this complaint should be upheld. She concluded that the bank had acted reasonably when it recorded a default on Mr D's credit file, as it had been on a reduced payment plan for a significant length of time and had considerable arrears. She also concluded that the fact Mr D received payment for mis-sold PPI about two years after the default had been registered did not necessarily mean that if it had been paid in 2010, he would have been able to clear his arrears or prevent them building up again.

Mr D has responded to say that the bank misled him when it said it would update his credit file and that the bank should acknowledge it should have contacted him about PPI earlier. He says he would have used the refund to clear his arrears and maintain payments.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can see that Mr D had financial problems and, as he says, he agreed a reduced repayment plan with the bank for many months. When the bank told him his account would be transferred to its debt recovery department and a default notice issued in July 2010, it took Mr D some months to raise the funds to repay his debt. He did this when his wife borrowed money to help him and repaid the debt in November 2010.

The bank recorded the default in September 2010, two months before Mr D paid off his loan. I can see no evidence that Mr D asked the bank to delay either transferring the debt or the default. Instead, he said he asked the bank to accept lower payments, which it refused. The bank is entitled to do this, especially when it had been allowing lower payments for an extended period and there seems to be no sign that things might improve. I do not find that it registered the default in error.

Mr D says the bank agreed to update his record after he repaid the debt and it has, in that his record shows the debt as settled. I accept that Mr D thought this meant the default would be removed, but the bank is obliged to record accurately what happened on the account and it has done that. If the bank removed a default that was correctly registered, as this was, it would be breaching its obligations to record such events accurately and I would not order it to do that.

Mr D also says that the bank should have told him about the possibility of claiming for mis-sold PPI in 2010 but, as the adjudicator explained, the bank was not obliged to write to customers about this in 2010. Instead, it was reacting to enquiries from customers and there is no evidence that the bank received a complaint about PPI before 2012. Mr D says he did not know he had PPI on his loan and only applied for a refund when he heard of someone else's success in claiming a refund. I appreciate that Mr D says he would have used a refund to sort out his arrears and avoid a default, but I cannot conclude that this means the bank should have written to him in 2010, inviting a claim.

my final decision

My decision is that I do not uphold this complaint.

Susan Peters
ombudsman