

complaint

Ms S complains Lowell Financial Ltd incorrectly reported to a credit reference agency she's been in a debt management plan (DMP) which has impacted her ability to get a mortgage.

Ms S was previously known by her married name of Mrs L. But to prevent confusion I'll refer to Ms S throughout even though correspondence prior to the change of name was to Mrs L.

background

Ms S has been in financial difficulties over the years so she's been in a number of payment arrangements with various lenders. Her former husband (Mr L) entered into a DMP with a debt management company I'll call A. These firms take payments from consumers in financial difficulties and distribute them among their creditors. Ms S was a signatory to that plan.

Since she separated from her husband Ms S has endeavoured to get her finances back on track. Her aim was to get a mortgage to buy a home for herself and her children. Two of her credit card debts were sold to Lowell and Ms S has now paid those off. So she was shocked when her application for a mortgage was declined. She believes the reason for this is the DMP marker recorded on her credit file. She's adamant she never entered into a DMP - she was in payment arrangements which shouldn't have affected her credit rating. So she complained to the credit reference agency and to Lowell.

Lowell says it isn't responsible for the information on her credit file. It reflected the information it was given by the companies which originally had the debts. And initially it had been receiving her payments via A, the debt management company, until A ceased trading. At that point Lowell advised Ms S it was no longer receiving her payments via A. So Ms S began making payments direct to Lowell to clear the debts. So it didn't think it had done anything wrong. Ms S complained to this service pointing out the DMP marker only appears on one of her accounts with Lowell, so she thinks it should be removed.

Our investigator didn't think Lowell had reported incorrect information to the credit reference agency. It simply passed on the information it had been given. She said Lowell wasn't responsible for Ms S being included in Mr L's DMP as that had been arranged by A. And she found out that Ms S's mortgage application hadn't been declined by a lender due to the DMP. Her broker had cancelled the application, because of Ms S's dispute with Lowell over the DMP.

So it's come to me to make a decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not going to uphold it. Let me explain why.

Ms S may not have entered into a DMP in her sole name, but she did countersign the "authority to act" form in relation to Mr L's DMP in June 2013. This suggests the household finances as a whole were under review as Ms S and Mr L were married at the time. Ms S knew she was working with A. But she thought she'd entered into a "consolidation plan" rather than a DMP.

Lowell purchased two of Ms S's credit card debts after the DMP was in place. And A was involved in passing Ms S's payments to Lowell in respect of these debts. One shows on her credit report with the DMP marker and as defaulted. The other doesn't. For clarity I've separated these out below:

debt owed to credit card "N"

Ms S's debt to N was defaulted in February 2014 and sold to Lowell in June 2014. Lowell wrote to Ms S at that time to say it now owned the debt. From July 2014 to February 2017 Lowell received Ms S's monthly payments from A. Lowell has been unable to explain why this account wasn't reported to the credit reference agencies, as it should have been according to their usual process. Ms S has subsequently paid the outstanding balance.

debt owed to credit card "C"

This debt was sold to Lowell in February 2016. C told Lowell Ms S had been working with a debt management company, so a DMP flag was added to the account. C told Lowell to contact A so her payments could be passed on correctly. Lowell sent a "letter of assignment" to Ms S in March 2016 to explain it now owned this debt.

From April 2016 to February 2017 Lowell received Ms S's payments for this debt via A. These show on Lowell's payment record as "*standing order from DMP*". The last payment was dated 2 February 2017. As she'd effectively stopped paying, a default notice for that debt was sent to Ms S in August 2017 and the account was defaulted the following month. This prompted her to call Lowell and arrange to pay it £10 per month by direct debit. These show on Lowell's payment record from September 2017 as "*payment by direct debit*". In June 2018 Ms S paid Lowell the remaining balance by card, and it was marked as fully satisfied. This debt shows on her credit report under the "defaulted accounts" section, among Ms D's other defaulted debts.

consolidation plan, payment arrangement or DMP?

Ms S agrees she entered into payment arrangements. And she understood she was in a "consolidation plan" with A prior to the debts being purchased by Lowell. She's provided correspondence headed "*Your repayment plan*" from Lowell relating to both debts, showing she was paying them by monthly direct debit. So I see why she thinks she wasn't in a DMP. But this correspondence is dated 2017, after Ms S stopped making her payments via A.

If Ms S was in a payment arrangement I'd have expected it to be set up between Ms S and the credit card or Lowell direct, not via a third party. But Ms S was originally making her payments through A, a debt management company which collected Ms S's payments and passed them on to her creditors. This suggests for some time after she signed the agreement in 2013 Ms S was considered to be in a DMP with A. So I don't think Lowell did something wrong by showing the DMP marker on Ms S's account.

I understand Ms S's confusion that the two Lowell debts were shown differently in her credit report. But I don't think this means the DMP on one account is incorrectly recorded. It probably should have been recorded on both accounts.

impact on mortgage application

Ms S wanted to apply for a mortgage so she could be a home owner again. But her broker cancelled the application due to Ms S's dispute with Lowell over the DMP. So the application was never actually assessed by any potential lender. If she's unhappy they did this she can complain to the broker. I can't look at this within a complaint about Lowell.

We don't know what the outcome of Ms S's application would have been if it had been pursued. She might have been granted a mortgage. But her broker thought the DMP marker was likely to mean she'd be offered less favourable interest rates.

But as I think Lowell accurately recorded information it had been given by C on Ms S's records, I can't fairly ask it to arrange for her credit file to be amended.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 14 January 2019.

Sarah Milne
ombudsman