

## **complaint**

Mrs B complains that Sainsbury's Bank Plc recorded inaccurate information on her credit file. She also complains about poor customer service.

## **background**

Mrs B had a loan and a credit card with Sainsbury's. In 2008 she was made redundant. In January 2009 she agreed to repayment plans for each of her debts. But in June that year the loan account was defaulted. And the credit card account was defaulted in January 2011. Mrs B complains that the accounts should not have been defaulted, because she was still making her repayments. She says she was wrongly charged over £1,000 in interest and charges during the repayment plan, when charges and interest were meant to be frozen. And she says that she did not receive any loan statements, a loan redemption letter, or any default notices.

In March 2015 Sainsbury's agreed to write off one quarter of her outstanding debt, and Mrs B paid the rest in part settlement – over £7,000. But her credit file was not updated with the part settlement. She had to phone Sainsbury's to chase them up, and spent her own money on getting her credit file reports. It took four months to get the debts recorded as part settled. In the meantime, a letter confirming that the loan was part settled was sent to the wrong address on her road. Mrs B complained that her neighbours might have learned confidential information about her. When she asked for a new letter to be sent to her, the wrong letter was sent. For those errors Sainsbury's apologised, and sent her a cheque for £70. But she returned it.

Mrs B also complained that her credit files did not show the agreed repayment plans. So when she tried to re-mortgage her home, her credit files only reported the two defaults. She says this adverse data meant that she was unable to re-mortgage with her original lender. She had to get a buy-to-let mortgage on less favourable terms. She says that was the result of Sainsbury's mistakes. Mrs B concludes that after the part settlements her credit reports ended up looking worse, not better.

Sainsbury's upheld part of Mrs B's complaint. It refunded nearly £1,000 of interest and charges it had wrongly charged her during the repayment plan – enough to fully settle her credit card account and still leave her with £300. It amended her credit file to backdate the default to August 2009, which meant that it fell off her credit report as that was over six years ago. And it paid her another £300 for poor customer service and for the cost to Mrs B of getting her credit reports. But it maintained that her credit file, as amended, was accurate. She had missed her repayments for three months in a row, and so it was right to default her accounts.

Mrs B is adamant that she did not default on her accounts. She did not accept that the bank had refunded the right amount, and said she should get over £100 more. She also wanted the bank to recalculate the one quarter discount it had given her when she part settled her debts, and refund her the difference. So she came to us.

Our adjudicator did not uphold this complaint. She agreed with Mrs B that Sainsbury's should not have defaulted her accounts. But she thought that if no default markers had been applied, then arrangement to pay markers would have remained on her credit file until six years after the last payments, or 2021. There was no evidence that the mortgage provider would have acted any differently if that had been the case. So she thought that this error had

had no impact on Mrs B, and that her credit rating is probably better now, since both default markers have expired. She agreed that there had been some other discrepancies on Mrs B's credit file, but was unable to determine the impact of those, if any.

The adjudicator also took the view that she could not compel the bank to write off more debt than it had already, given that it was money that Mrs B had lawfully owed it. Mrs B had got away with paying less money than she had owed. She thought that justified Sainsbury's in not refunding the rest of the interest and charges. She said that Sainsbury's could have just off-set the refunds against Mrs B's debt, instead of paying them directly to her. She thought that £300 was fair compensation for the poor service. And she thought that Sainsbury's would have sent Mrs B a loan redemption letter if she'd asked for it. Mrs B had still paid off the loan without one, so the effect on her was minimal.

Mrs B did not accept that assessment. She argued that a default marker looks worse than an arrangement to pay on a credit file, because a default doesn't show regular payments being made. The interest and charges had made her debt look larger than it was. These matters might have made a difference to her new mortgage. She also maintains that she has been deprived of the full discount she was promised when she made the partial settlements. So I have considered her complaint.

### **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 accept Mrs B's point that a default looks worse on a credit file than an arrangement to pay. And the default which was originally reported was larger than the debt she in fact owed. But if her credit file had shown an arrangement to pay, for the correct amount, when she re-mortgaged, that might well still have looked bad enough for the original lender to refuse to re-mortgage on the same terms. So without evidence from the mortgage broker, which I understand will not be forthcoming, I can't say that the outcome would not have been the same if the credit file had reported different information.

I agree with our adjudicator's view that our Service shouldn't require a bank to write off debts it is properly owed. It is for the bank to decide for itself how much it is prepared to write off when it agrees to part settle a debt. But I do appreciate that Mrs B feels that we should require the bank to do what it said it was going to do. And it said it would write off a quarter of what it thought she owed. She feels that the bank should honour that promise. However, if the bank did recalculate how much she would have paid, and how much it would have written off, if it had not included in the balance the interest and charges it has now refunded, I think she would actually be worse off than she is now. One quarter of a smaller balance is a smaller discount. And she had paid Sainsbury's three quarters of the interest and charges, but has now received almost all of that back. So Mrs B has actually paid Sainsbury's less money than she would have done if the bank had not got the balance wrong in the first place.

Our adjudicator thought that given how much of Mrs B's debt Sainsbury's has written off, it had treated her fairly and sympathetically enough. So she did not ask the bank to pay Mrs B the rest of the interest and charges. The bank, for its own part, does not accept that there are still any interest or charges still outstanding. (The difference between their figures is much less than a quarter of the bank's figure.) Rather than investigate whose figures are correct, I have assumed that Mrs B and the adjudicator are right, but I agree with the

adjudicator that the bank has done enough to put things right. Taking into account both what the bank wrote off and the additional £300 compensation it paid Mrs B, I am not going to require it to do more. I think that £300 was fair compensation for the poor customer service Mrs B received overall.

Sainsbury's says it sent loan statements and default notices to Mrs B. Mrs B says she didn't receive them and that they must have been sent to the wrong address. But I can't see that Mrs B would have done anything differently if she had received them, or the redemption letters. And it doesn't look as though Sainsbury's did anything it's not allowed to do unless it sends default notices. It continued to accept monthly repayments.

### **my final decision**

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 22 February 2016.

Richard Wood  
**ombudsman**