

complaint

Mr and Mrs W are unhappy Paragon Finance Plc (trading as Idem Servicing) (Idem) incorrectly reported the arrears on their account and recorded defaults, rather than an arrangement to pay, to the credit reference agencies. And Idem didn't fully explain the impact entering into a reduced payment arrangement would have on their credit files.

background

In September 2006 Mr and Mrs W took out a secured loan with a company I'll call B. In June 2014 the loan was purchased by Idem. When the loan was purchased the account was in arrears. Mr W entered into a reduced payment arrangement with Idem between August 2014 and February 2017. And Mr W also entered into a debt management plan with a debt management charity from May 2016 to March 2017.

Mr W's credit report and account statements show Idem reported the account was in arrears by 6 months or more.

Mr W complained to Idem as he didn't agree with the arrears recorded on his credit file, his credit file didn't show an "arrangement" was in place and he wasn't advised of the impact a reduced payment arrangement would have on his credit file.

Idem accepted Mr W had entered into a reduced payment arrangement with them between August 2014 and February 2017 but, as he also entered into a debt management plan from May 2016 and March 2017, this overrode the arrangement and was registered against his credit file. As Mr W had been making payments to Idem, in addition to the monthly payments via the debt management company, Idem agreed to remove the "debt management" status from his credit record and updated this to an "arrangement" from August 2014 to February 2017. Idem said it was obliged to report the true status of an account to the credit reference agencies so it was unable to remove any entries registered against Mr W's credit file.

In respect of account arrears Idem told Mr and Mrs W it had recorded the arrears amount B had recorded when the account was purchased. Idem also said when it spoke to Mrs W about the reduced payment arrangement she was told entering into such an arrangement would have an impact on her credit file.

Mr and Mrs W weren't happy and complained to this service.

Our investigator considered the case and initially said she felt the information recorded on Mr W's credit files didn't accurately reflect what was happening at the time. As Mr W had entered into an arrangement she felt this should be reflected on his credit report so she recommended Idem amend Mr W's credit report to state an arrangement was in place from August 2014 to May 2016.

Both Mr W and Idem provided further comments. Mr W said the dates our investigator had referred to needed to be reviewed and she hadn't addressed the negative markers on their account. He felt at least three of the six negative markers should be removed. Mr W also wanted Idem to pay compensation for distress and inconvenience.

Idem said when they purchased the debt in 2014 they were told the arrears were £3719 and this was the information they had recorded. Idem said it had recorded information on Mr W's credit files in accordance with compliance and regulatory requirements.

Our investigator considered both parties further comments and felt the information recorded on Mr W's credit records didn't accurately reflect what was happening at the time and should be amended to reflect an arrangement was in place from August 2014 to February to May 2016 and then to show a debt management plan was in place until February 2017. There is a typographical error and should say *"there was an arrangement in place from August 2014 to May 2016"*.

She also considered the ICO Principles which say as long as a customer complies with the revised terms of an arrangement, arrears will not accrue further or be shown, although any arrears reported under the previous terms will stay on the credit files. Applying these principles to Mr W's circumstances, she thought the arrears during the period Mr W was in any arrangement should not appear on his credit file. Idem had said it had already updated Mr W's credit report to show an arrangement was place but our investigator recommended the removal of any arrears from Mr W's credit file in the periods he was in an arrangement to pay.

Idem didn't agree as it said removing the payment status showing arrears from Mr W's credit file would indicate the account was not in arrears, which was not the case. Idem said it had correctly adhered to compliance requirements for reporting on an account in arrears and in a payment arrangement.

As Idem didn't agree the case has come to me for 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.

The Information Commissioner's Office (ICO) issues guidelines for the reporting of arrears, arrangements and defaults to Credit Reference Agencies (CRAs). This guidance says *"Lenders that supply data to the CRAs are required to ensure that the data is accurate, up to date and meets agreed quality standards"*. It goes on to say - *"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears"*.

The loan was in arrears when it was purchased by Idem in 2014. The ICO guidelines say *"conduct outside the terms and conditions are reported through status codes such as 1,2 etc which are based on the monthly performance of the account"*. As Mr W wasn't making his loan repayments to Idem it reported this information to the CRAs.

Mr W has complained about the amount of arrears recorded on his account and how the arrears were reported. Under the ICO guidelines businesses are required to accurately record the current balance on an account.

The ICO guidelines say - *"If, due to financial difficulty, your lender agrees a reduced or revised payment with you, this will be reflected on your credit file. How revised or reduced payments are shown on your credit file may depend on whether it is a temporary or permanent change to the agreement"*. In respect of a temporary change the guidelines go on to say *"should a temporary reduction in the payment amount be jointly agreed between you and your lender, this 'arrangement' will be recorded at the CRAs"*.

As Idem agreed a reduced payment plan with Mr W in accordance with the ICO guidelines, even though this was temporary, it should have been recorded on Mr W's credit file as an *'arrangement'*.

Mr W was in an arrangement with Idem from August 2014 until May 2016. In May 2016 he entered into a debt management plan with a debt charity which overrode the arrangement and was registered against Mr W's credit file. As he was making payments to Idem direct in addition to his monthly payments via the debt management company, Idem agreed to remove the 'debt management' status from his credit record and amend the record to show he was in an 'arrangement' from August 2014 to May 2016, and I think this was the correct approach to take. Idem have told us from one month after entering into the debt management plan Mr W was paying his contractual monthly payment direct to Idem, in addition to the payment under the plan.

The ICO guidelines say if there is a permanent change in the payment terms agreed by the lender "*arrears will not accrue further or be shown although any arrears reported under the previous terms will stay on your credit file*". I need to consider what was fair and reasonable in this case. The loan was not repaid in full until February 2017, and because of the way arrears are reported, the arrears were not cleared in full until this time. But, Mr W was doing what he could, and more than he was required to do under the arrangement, to bring his account up to date. The *'temporary'* arrangement was in place for over two years so I think it would be fair and reasonable for Mr W's credit file to be amended so arrears are not reported from the date of the 'arrangement'.

Mr W also complains the impact on their credit files of entering into an 'arrangement' wasn't fully explained to them. I have listened to the call of 2 December 2016 which Mrs W made to Idem. During this call the Idem call handler tells Mrs W entering into an agreement may have an impact on her credit record and Mrs W confirmed she understood this. As the loan is in joint names I am satisfied Mrs W would have communicated this information to her husband.

I haven't seen sufficient persuasive evidence to suggest entering into an arrangement with Idem had a direct impact on Mr and Mrs W's ability to obtain credit. And I also have to consider that Mr and Mrs W entered into a debt management plan which involved a number of businesses, not just Idem. If Mr and Mrs W had not entered the arrangement with Idem the alternative would have been for them to pay off the loan. From what Mr W has told us about his personal circumstances, they weren't in a position to do this, so I think they would've entered into the arrangement despite the potential impact on their credit file. In the circumstances I can't say the information Idem provided, or didn't provide, Mr and Mrs W about the impact of entering into an arrangement in respect of the loan influenced their decision to enter into the arrangement so I won't be asking Idem to pay any compensation.

my final decision

For the reasons set out above I partially uphold Mr and Mrs W's complaint and I require Paragon Finance Plc T/A Idem Servicing to amend Mr W's credit file to reflect he was in an arrangement to pay from August 2014 to 1 May 2016, in a debt management plan from May 2016 to February 2017 and so arrears are not reported from the date he entered an arrangement in August 2014.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 22 January 2018

Patricia O'Leary
ombudsman