

complaint

Mrs F is complaining about the way Paragon Bank Plc trading as Moorgate Loan Servicing (Moorgate) recorded information on her credit file.

background

In 2012, Moorgate purchased Mrs F's credit card account from another company. She'd previously agreed a debt management plan and was making reduced payments.

In 2013 Mrs F wrote to Moorgate and her other lenders asking for a payment break as she was having a baby. She then missed some payments and in October 2013 Moorgate sent her a default notice asking for payment within 28 days. In December 2013 Moorgate agreed to reduce Mrs F's payments under her debt management plan and Mrs F says she has continued to make payments ever since and hasn't heard any more from Moorgate.

Mrs F's credit file shows that her account is in arrears and that she's in a debt management plan. Mrs F complains that this has left her in a worse position than if Moorgate had recorded a default when she was unable to make her payments. Mrs F also says that some of the information on her credit file is inaccurate, for example the specific details of her debt management plan.

Our investigator didn't uphold Mrs F's complaint. She didn't think Moorgate was wrong not to issue a default on Mrs F's account because it had heard from a debt management company acting on Mrs F's behalf and had agreed to a payment plan. She thought about Mrs F's comments about the other information on her credit file but didn't think Moorgate needed to do anything more than it already had to make sure the credit file was accurate.

Mrs F disagreed and so the case has come to me for a final 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 upholding Mrs F's complaint. I've considered all of the points she's made carefully and I've focussed on what I think are the key issues to explain why I've reached this decision.

When Moorgate bought Mrs F's debt, it took on responsibility for reporting accurate and up to date information to the credit reference agencies. Mrs F has complained separately about the actions of the company who sold the debt to Moorgate. In this decision I've only thought about and commented on Moorgate's actions.

Mrs F has referred to guidance from the Information Commissioner's Office (ICO) which suggests that a default should be recorded where there's a breakdown in the relationship between the lender and the borrower – this could be where payments haven't been received for six months. But more recent guidance from the ICO encourages more flexibility from lenders in appropriate circumstances, for example where there's an informal payment arrangement or debt management plan.

I've thought about this, as well as industry good practice and relevant law, and having done so I agree with the investigator that Moorgate hasn't acted unreasonably by not applying a default. I can understand why Mrs F considers that in late 2013 having missed several payments and received a default notice from Moorgate, a default would've been warranted. I think it was *open* to Moorgate to apply a default at that stage, however that doesn't mean it was *obliged* to.

Recording a default can have serious consequences and isn't a decision that should be taken lightly. After sending Mrs F the default notice, Moorgate heard from the debt management company on Mrs F's behalf and ultimately agreed to reduce the payments under her debt management plan. Her engagement with the debt management company and willingness to continue with the plan suggests that Mrs F wanted to continue making payments rather than default on her agreement with Moorgate. So I don't think it was unreasonable for Moorgate not to apply a default to her account in the circumstances.

We generally expect lenders to treat customers who are in financial hardship positively and sympathetically. When Moorgate bought Mrs F's debt, a debt management plan was already in place, the interest rate had been reduced to 0% and the credit facility withdrawn. Moorgate agreed to further reduce the payments Mrs F needed to make. So I think it's treated Mrs F positively and sympathetically.

I know Mrs F has said that some details on her credit file are inaccurate, for example she says the term and monthly payment of her debt management plan appear differently depending on which credit reference agency provides the file.

Moorgate says although it used to report on the term of a debt management plan, it no longer does this. It's also confirmed it reports the actual amounts paid each month as well as what the minimum monthly payment is. If after looking again at a recent copy of her credit file Mrs F still feels that any of the information on her reports is misleading, it's open to her to add a notice of correction which anyone reading her report will be able to see.

Mrs F also says that Moorgate hasn't communicated with her since 2013. But Moorgate says it has remained in contact with Mrs F's debt management company, which is what I'd expect to see where a debt management company is involved.

I've thought about all the comments Mrs F has made, but overall I'm happy that her credit file accurately reflects her circumstances in that it shows that she's in arrears and is making payments under a debt management plan. So I won't be asking Moorgate to do anything to amend her file.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 24 July 2017.

Daniela Cirignano
ombudsman