

## **complaint**

Mr N complains that his credit record is being unfairly affected by an arrangement plan that he set up six years ago. He says he would have been better off if he had defaulted on his debt, as the default would by now, have been deleted from his records. He wants MBNA Limited to remove references to the arrangement plan from his records.

## **background**

Mr N had a credit card with MBNA. In 2006 he was unable to maintain minimum payments and instead, arranged a payment plan – where he made reduced payments – so that he could clear the debt over a number of years. MBNA also agreed to stop charging interest and fees on his debt. Mr N was helped through this process by a debt management service.

Mr N has maintained payments and in 2012, MBNA passed the debt to another company. Mr N says that, up to this point, the arrangement plan did not show on his credit file, but has now been added. He says he thought a default had been applied to his account in 2006 and that it would by now, have time expired (after six years), leaving his record clear. Instead, the arrangement plan will continue to show for another six years, which affects his credit score and the possibility of arranging credit in the future.

The adjudicator did not recommend that this complaint should be upheld. He concluded that MBNA was obliged to accurately report the activity on Mr N's account – which was an arrangement plan. He found no evidence that MBNA had told Mr N that a default had been applied, or that it had not provided the credit reference agencies with information at the appropriate time.

Mr N has responded to say, in summary, that the way his arrangement has been recorded is unfair, as his credit record is worse now than it would have been if he had defaulted on the debt, or entered into an IVA or bankruptcy. He also says that he was making only token payments towards his debt and so his account should have been defaulted in 2006. He feels he is being penalised for repaying his debt and has asked for an ombudsman's review.

## **my findings**

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

From the internal records that MBNA has provided, I can see that in early May 2006, Mr N initially offered to pay MBNA and other creditors, £30 a month, through a debt management plan. That matches with the copy of the plan that Mr N provided.

I can also see that MBNA rejected this offer, saying it was not enough to prevent a default being applied and by August 2006, Mr N had agreed instead, to pay £45 a month to MBNA. MBNA has also provided evidence to show that it wrote to Mr N during this period, to explain that a reduced payment plan would show on his credit file for the life of the account and an additional six years.

I am, therefore, satisfied that in 2006, Mr N was told how the arrangement plan would affect his credit file going forward and that MBNA was correct to record this, as it is obliged to record what actually happens on an account.

In 2011 Mr N contacted MBNA, as he thought a default had been applied to his account. The bank's internal records show that he was told that it was an arrangement plan, rather than a default.

A few weeks later the account was passed to a new owner. Mr N says that it was only at this point that his arrangement was recorded with credit reference agencies, although I have seen no evidence of this. However, even if MBNA had not recorded the information initially, that would not, I am satisfied, have impacted negatively on Mr N.

Mr N says that he was only making token payments, but I am not persuaded that this is the case, as the debt has been cleared within a reasonable time.

Mr N also says he would have been better off with a default and either not repaying the debt or making a later arrangement to pay. I understand his frustration, but either of those options would, most likely, show on his credit record. The first would probably remain as an outstanding debt and MBNA might reasonably have taken legal action to recover the money, which would also show. Any "after default" arrangement would also show – much as the one Mr N agreed does. In any case, the over-riding requirement is that MBNA record what happened accurately and Mr N's credit file reflects this.

#### **my final decision**

My decision is that I do not uphold this complaint.

Susan Peters  
**ombudsman**