

complaint

Mrs S complains about the information East London Credit Union (ELCU) has put on her credit file. She says it wrongly recorded her loan as 'delinquent', and it failed to fix its mistake after telling her it would do so.

background

I issued a provisional decision on this complaint, a copy of which is attached and forms part of this final decision.

In my provisional decision, I explained why I proposed to uphold Mrs S's complaint, and to require ELCU to amend her credit file and pay her £500 compensation. I invited Mrs S and ELCU to let me have any further evidence or arguments they wanted to make before I finally determined the matter.

Mrs S said she was very pleased with my provisional decision. She asked for a breakdown of the payments she'd made, together with details of how ELCU has calculated the interest on the loan balance. Our investigator sent Mrs S copies of her ELCU loan statements.

Despite reminders, ELCU didn't reply to my provisional decision.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs S has indicated that she accepts my provisional decision, and ELCU hasn't said anything at all. So I see no reason to reach different conclusions from the ones I set out in my provisional decision.

my final decision

For these reasons – as well as those set out in more detail in my provisional decision – my final decision is to uphold this complaint. I order East London Credit Union to:

- remove all information about Mrs S's loan with it from her credit file, apart from any initial credit search that was carried out when the loan was originally taken out; and
- pay Mrs S £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 3 October 2018.

Janet Millington
ombudsman

copy provisional decision

complaint

Mrs S complains about the information East London Credit Union (ELCU) has put on her credit file. She says it wrongly recorded her loan as 'delinquent', and it failed to fix its mistake after telling her it would do so.

background

Mrs S took out a loan with ELCU in 2010. She agreed to pay £150 each month; if she kept up with those payments, the loan would end in December 2012.

In 2011 and 2012, Mrs S missed some payments. In April 2012, she began paying £20 a month to the loan. She says this was agreed with ELCU. She continued paying £20 a month until June 2017, when ELCU got in touch with her to tell her she was in arrears on the loan. Mrs S then agreed to pay £30 a month for six months, and she signed an agreement confirming that.

In July 2017, Mrs S signed another agreement, this time agreeing to pay £100 a month until the loan is repaid. Mrs S says she agreed to this on the understanding that ELCU would take the arrears off her credit file. When that didn't happen, she complained.

ELCU said it hadn't promised to remove the arrears. It had only said it would try to help get them removed, and Mrs S should contact the credit reference agency it uses and ask the agency to amend its records. Mrs S did that. The agency told her it had tried to contact ELCU but the credit union hadn't replied.

In January 2018, ELCU told Mrs S it wouldn't remove the arrears. Mrs S said she had only been paying what she'd agreed with ELCU, and she didn't think she'd been treated fairly. She got in touch with us.

Our investigator didn't think the information ELCU had put on Mrs S's credit file was right. She said this was because Mrs S had entered into a new agreement with ELCU in July 2017, this was a permanent change, and her credit file should reflect the payments she'd made against that new agreement – not the old 2010 one. She also said she was concerned that the earlier payment arrangement Mrs S had agreed with ELCU hadn't been correctly recorded, and ELCU hadn't been putting the right loan balance on Mrs S's credit file.

The investigator recommended ELCU amend Mrs S's credit file to reflect the payment arrangements that were put in place in 2012 and 2017. She said the loan should show as up-to-date from July 2017 onwards, as long as Mrs S maintained monthly payments of £100.

Mrs S and ELCU both said they agreed with the investigator's recommendations. In March 2018, ELCU said it would make the necessary changes to Mrs S's credit file. It didn't then do that, and told Mrs S her loan would continue to be recorded as being in default because she was paying £100 a month instead of £150. It said she would need to apply for a new loan and have a new credit search done in order for the loan not to show as being in arrears.

Our investigator asked ELCU for an explanation. It didn't provide one. Mrs S then told us the loan had been reported as up-to-date, leaving her with an excellent credit score – only for it to be recorded as 'delinquent' again a few days later.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs S has provided copies of her credit file, which show that her loan with ELCU has been showing as six months in arrears since June 2017. She had been paying less than the contractual monthly loan payments for around five years before that. She says she'd only received statements from ELCU over the years and, until mid-2017, no letters or phone calls saying she was in arrears. So she thought everything was in order and she could continue making reduced payments – as she'd agreed with ELCU.

I see no reason not to accept what Mrs S has said about not having been contacted about the arrears until 2017. ELCU appears to accept that as well – although it seems to think this was partly Mrs S's fault. It told Mrs S:

"Due to the turnover of staff, a change in premises, new systems and the ensuing logistical planning your account was identified after 4 years and 11 months of your loan being in default. During this time you had every opportunity to come forth and address your now defaulted loan agreement".

I find it difficult to see why Mrs S should have contacted ELCU about the arrears, when she thought she was making payments as agreed. However, in July 2017, Mrs S did then sign up to a new agreement to pay £100 a month – instead of the original contractual £150. She says she did so on the understanding that ELCU would take the arrears off her credit file. It had told her that, if she signed the agreement and made the first payment it would:

"endeavour to assist in removing your default from the credit file. It will take approximately 4-6 weeks to be processed, but you will be kept up to date with the progress".

Having signed the agreement, Mrs S made the monthly payments as agreed. But ELCU didn't amend her credit file. Nearly a year later, it told her she'd need to apply for a new loan in order for it to stop recording the loan as being in arrears.

I find ELCU's approach disingenuous and misleading, and I think it has caused Mrs S unnecessary upset and confusion. Besides that, ELCU only appears to have started recording the operation of the loan on Mrs S's credit file in June 2017 – even though the loan started in 2010 – and without giving her any notice or warning about what it was doing.

I've looked carefully at the original loan agreement and the revised agreement Mrs S signed in 2017. While the original agreement says ELCU can tell the Department for Work and Pensions if payments are missed, I can see nothing in either agreement allowing it to register information about the operation of the loan with credit reference agencies.

I'd expect to see that Mrs S consented to this when she took out the loan, but that doesn't appear to have happened. And it may well be that ELCU wasn't recording this information until 2017 because it wasn't entitled to do so. I can't see that that position has changed.

I have in mind as well that the arrears were removed from Mrs S's credit file recently, only to be put back on again. And I'm satisfied from the copies of her credit file Mrs S has provided that the loan balance has been recorded wrongly, showing she owes more than she does. All of this – together with the conflicting information ELCU has given Mrs S and our investigator – suggests to me that ELCU hasn't been able to find a way to record how Mrs S's loan has been operating (that is, under an agreed payment arrangement) correctly.

So, in all the circumstances and based on the evidence and arguments I've seen so far, I intend to tell ELCU to arrange for any information it has recorded about this loan to be removed from Mrs S's credit file – with the exception of the original credit search, which Mrs S agreed to when she applied for the loan.

Mrs S has been asking ELCU to put her credit file right for more than a year. She's received conflicting information, and ELCU has broken its promises to put things right. Mrs S has clearly found this whole matter very frustrating, and I can understand why. She has also been put to the

inconvenience of corresponding needlessly with a credit reference agency, to no avail, and had the ongoing worry of her credit file being wrong.

I think Mrs S should fairly receive some compensation to reflect all of this, so – in addition to removing the information about the operation of the loan from her credit file – I propose to require ELCU to pay her £500.

my provisional decision

My provisional decision – subject to any further evidence or arguments I receive from Mrs S or ELCU by 23 August 2018 is to uphold this complaint. I intend to require East London Credit Union to:

- remove all information about Mrs S's loan with it from her credit file, apart from any initial credit search that was carried out when the loan was originally taken out; and
- pay Mrs S £500 compensation.

Janet Millington
ombudsman