

The complaint

Mr F is unhappy that National Westminster Bank Plc (“NatWest”) have reported missed payments to his credit file.

What happened

Mr F had a loan account with NatWest on which he’d made every payment in line with the contractual terms of the loan agreement. NatWest transferred this loan to a debt recovery agency (“DRA”) alongside some other NatWest accounts held by Mr F which had been defaulted for non-payment and on which Mr F owed outstanding balances.

Mr F continued to make the contractually agreed payments to the DRA for the loan that wasn’t in arrears – as part as a larger overall payment that he made to the DRA in consideration of the other defaulted account balances. However, Mr F wanted to reduce his overall monthly payment amount to the DRA and so contacted them to discuss it with them.

The DRA explained to Mr F that he could pay only what was affordable for him, and so Mr F reduced the overall payment that he made to the DRA. But shortly afterwards, Mr F noticed that NatWest were reporting missed payments on his credit file for the loan that had never been in arrears. Mr F wasn’t happy about this, especially as no one at the DRA had told him that he might incur any adverse credit file reporting on this loan if he reduced the overall payment amount that he made to the DRA. So, he raised a complaint with NatWest.

NatWest responded to Mr F and explained that they’d been receiving reduced payments from the DRA for the previously well-kept loan, and that they’d reported missed payments to his credit file for that loan accordingly. Mr F wasn’t happy with NatWest’s response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel that NatWest had acted unfairly in how they’d managed the situation and so didn’t uphold the complaint. Mr F remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

What I’ve decided – and why

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

Mr F had two loans and a current account with NatWest. All three accounts were defaulted by NatWest in September 2021, and NatWest say that from that time onwards they have been reporting the accounts as being defaulted to the credit reference agencies.

Mr F has explained to this service that he’d never missed a payment on one of the loans at the time that it was defaulted. But I’ve checked the historical statements for the two loan accounts, and I can see that Mr F missed several payments on both loans before they were defaulted in 2021. And so, it wasn’t the case that Mr F was fully up to date with his payments on one of the loans when the loan was defaulted.

Following the defaulting of Mr F's three accounts, NatWest passed Mr F's combined debt to a DRA. That DRA contacted Mr F and arranged a repayment plan for the outstanding balance with him. And I note that Mr F doesn't appear to have missed any payments to the DRA having arranged that repayment plan with them.

Mr F feels that because he reduced the overall amount of money that he was paying to the DRA, he's begun to incur missed payment reporting to his credit file as a result. And to illustrate his point Mr F has provided a report by a credit service which shows missed payments being recently reported to one of his NatWest loans.

However, while I appreciate Mr F's concern here, given the credit report that he's obtained, I feel that if there has been an error in how his credit file has been reported, it's an error that has resulted in his credit file showing more favourable reporting than should be the case.

I say this because following the defaulting of Mr F's three accounts, all three of those accounts should show as being defaulted on his credit file and should do so for a period of six years from the date of default. This doesn't appear to be the case on the credit report that Mr F has obtained. And if that is the case, then the correct position of the credit reporting isn't that the missed payment markers should be replaced with account-up-to-date markers, but that all reporting since September 2021 should be replaced with default markers.

There are three credit reference agencies to which credit providers such as NatWest report. And NatWest have confirmed that they are reporting all three accounts as being defaulted since September 2021. But notably, the information Mr F has obtained about his credit file isn't from one of the three agencies but is instead from a third-party aggregator. And because Mr F hasn't obtained his report from a direct source, the possibility remains that some form of mistake has been made by the third-party aggregator which Mr F has used.

I can only reiterate to Mr F that the correct credit file reporting for his three accounts is that they should all show as being defaulted in September 2021 and should do so for every month since September 2021. And while the outstanding default balances should show as reducing, in accordance with the payments that Mr F has been making to the DRA, the three accounts should all continue to show as being in default until September 2027.

Finally, I note that when NatWest responded to Mr F's complaint in April 2023, they providing what appears to have been at best a confusing explanation to Mr F as to what the correct status of his three accounts should be. It's disappointing that NatWest missed the opportunity to clearly explain to Mr F that all three of his accounts should be showing on his credit file as being in default, but I hope that I've been able to clarify this point for Mr F.

All of which means that I won't be upholding this complaint or instructing NatWest to take any corrective action here. However, I would encourage NatWest to ensure that they are reporting the defaults correctly on all three of Mr F's accounts to the credit reference agencies. I realise this won't be the outcome Mr F was wanting, but I hope that he'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 December 2023.

Paul Cooper

Ombudsman