

## **The complaint**

Mr P complains that Clydesdale Financial Services Limited trading as Barclays Partner Finance ("BPF") has recorded information with the credit reference agencies about a fixed sum loan he took out with it that is incorrect.

## **What happened**

In 2017 Mr P entered into a fixed sum loan agreement with BPF to finance a new kitchen he bought from a supplier I'll call W. The kitchen cost £29,600 and Mr P borrowed £25,000.

The loan set out that repayments would begin 12 months after BPF paid W and if Mr P repaid the loan within those 12 months, he would not pay interest on the sum he borrowed. If he did not repay the loan within 12 months, the interest was £20,261.

Mr P said he got into a dispute with W about the kitchen and as result it appears W did not call for the money from BPF until February 2019. This meant Mr P had until February 2020 to repay the loan interest free. Mr P made a separate complaint to BPF and then to this service about BPF's decision to pay W as he said this compromised his negotiations with W for compensation. An investigator did not uphold Mr P's complaint as he said the terms of the loan agreement permitted BPF to pay W after Mr P had signed it or when W asked for the money.

Mr P did not repay the loan before February 2020 so the amount repayable became £45,261.60 repayable in 60 monthly payments of £754.46. Mr P did not make any repayments to the loan and in April 2020 BPF issued a default notice. In May 2020 BPF defaulted the loan and instructed the credit reference agencies to record the default on Mr P's credit file.

In May 2021 Mr P agreed with the debt collectors BPF had appointed that he would pay it £27,157 in full and final settlement of the loan.

After this Mr P was unhappy that BPF's records didn't reflect that the loan had been settled. He was also unhappy that it had instructed the credit reference agencies to record the loan as defaulted and partially settled when he said BPF had accepted his payment in full and final settlement of his debt to it. He complained to BPF

In response to Mr P's complaint BPF said it had made an error following the settlement which meant the loan was not showing on its records as repaid. It paid Mr P compensation of £200 for these errors. However, BPF said the instructions it had given to the credit reference agencies were not incorrect. It said this was because the loan balance was £45,261.60 when the loan defaulted so although Mr P's payment of £27,157 settled his debt with BPF, it was still a partial settlement of the amount that was owed when the payment was made.

Dissatisfied with BPF's response to his complaint Mr P referred it to this service.

After this BPF offered to pay Mr P £100 for incorrectly telling him on the phone that it would

instruct the credit reference agencies to remove the default from his credit file.

An investigator didn't think BPF was reporting inaccurate information to the credit reference agencies. He said the information he'd seen on Mr P's credit files appeared to reflect what had happened, so he didn't think BPF had treated Mr P unfairly. He thought BPF's offer of £100 compensation was a fair one for the erroneous information it gave him.

Mr P did not agree and asked an ombudsman to review his complaint. He provided a screenshot from a company providing credit file services which he said showed there was no mention the loan was settled. He also questioned why the loan should be recorded as partially settled when the sum he agreed to pay BPF was accepted in full and final settlement.

### **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.

I've looked at what Mr P has provided in support of his assertion that the information about his loan on his credit file is inaccurate. This appears to be a screenshot from a company providing credit reference related services. This company generally supply information relevant to an individual's financial standing and status with one or more of the credit reference agencies. It is worth keeping in mind however that the information it provides is not always necessarily presented or summarised in the same format as what say a lender carrying out a credit check might see. Lenders will typically have their own ways of reading and extracting information from credit files.

Nevertheless, I've considered whether the information Mr P has supplied about the status of the loan with the credit reference agencies appears to be an accurate reflection of what happened with the loan or not.

The key information on the document is as follows:

- The '*balance*' of the loan is £0 with all three credit reference agencies and the account shows as 'closed'.
- The '*account status*' is showing as defaulted on 18 May 2020 with two of the credit reference agencies and defaulted in January 2020 with the other. All three show that £45,261 was owed when the loan defaulted.
- The '*payment history*' (a record of monthly status 'codes' reflecting the repayment position of the loan) shows the account was in default for a number of months but the latest codes after this show either U, S, SF, or PS (having researched these codes it appears they mean the account is either not being reported, settled or partially settled).

BPF defaulted Mr P's loan in May 2020. Mr P said in a previous complaint he made to this service that BPF shouldn't have paid W in February 2019 because he was still in dispute with W about the quality of the kitchen. So, he said he shouldn't have been put in a position where he needed to repay the loan before February 2020 to avoid paying interest.

An investigator addressed Mr P's complaint about when BPF paid W in the previous complaint. And it appears Mr P decided not to take that complaint any further with us. However, in order for me to decide whether the information Mr P disputes on his credit file is accurate, I need to address whether BPF was reasonable to record the default. This is

because some of the information Mr P disputes is linked to this event.

Mr P's loan agreement set out that BPF would pay the loan amount '*directly to the retailer once we have approved the loan or on a later date requested by the retailer*'. This meant BPF had to pay W once W requested the loan funds from BPF (if this was later than when he signed the loan agreement). I've seen nothing in the agreement which suggests Mr P was able to determine when BPF could pay W.

So, while Mr P may have been in dispute with W still in February 2019, I've seen no reason why BPF should reasonably have refused to pay W at that point. Mr P had authorised BPF to pay W when he signed the loan agreement. It just so happened that W didn't ask for the money from BPF until two years later – which was seemingly because of the dispute it was in with Mr P about the kitchen.

There were avenues open to Mr P to claim against BPF if he still considered the kitchen was not satisfactory – namely a claim under section 75 Consumer Credit Act 1974 ("section 75") which allows a consumer to claim against their lender for breaches of contract or misrepresentations by the supplier of goods financed by that lender. Both BPF and the investigator that looked into Mr P's complaint in 2020 made him aware of this but it doesn't appear that Mr P ever made such a claim. From looking at Mr P's previous complaint, I understand the issues with the quality of the kitchen itself were resolved by 2020 in any event.

All of this considered I'm not persuaded it was unreasonable for BPF to pay W in February 2019 when it asked for the money and to start the loan running then. Nor do I find it was unreasonable for it to add the interest to the loan of £20,261 and require Mr P to start making the monthly repayments when he had not repaid the balance within 12 months of this.

The loan agreement also set out the consequences of not making repayments when required, including the fact that adverse information may be recorded with the credit reference agencies.

It follows from this that having not received payments from Mr P when they were due, BPF did not act unreasonably by defaulting his account and recording this with the credit reference agencies. On this basis, where the information Mr P provided says his account defaulted and that the balance at the time of default was £45,261.60, I don't find this to be an inaccurate reflection of what happened with his loan.

Around a year after the default Mr P agreed a sum with BPF to settle the loan which was less than the total amount he owed it. I've looked at the document 'Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies' which was prepared in collaboration between the Information Commissioners Office and the credit industry. I think the content of this document is a good indicator of what good industry practice looked like (something I am required to give regard to when making my decision on this complaint).

The document says the following:

*Your record should be closed and marked as partially settled if:*

- *The lender accepts final settlement of the account for less than the balance outstanding*

*The fact that the account was previously in default will remain on your credit file for 6*

*years from the date of default. If the account was not in default, the record would remain on your credit file for 6 years from the date of closure*

I think the guidance here clearly applies to Mr P's situation as BPF accepted a sum less than the balance outstanding and his loan was previously in default. Taking this into account, along with everything else I've seen, where Mr P's credit file displays information that his account was defaulted, partially settled and closed I don't find this to be an inaccurate reflection of what happened.

I've noted a couple of discrepancies between the different credit reference agencies on the information Mr P supplied. For example, one says the loan defaulted in January 2020 when the others say it was in May 2020. The correct date does appear to have been May 2020. So, I don't think the discrepancy disadvantages Mr P. The record showing the default in January 2020 means the loan information will disappear from his credit file earlier, which is more advantageous to Mr P. So, I'm not going to ask BPF to change this.

Overall, I'm not persuaded BPF treated Mr P unfairly in the way it recorded information about his loan with the credit reference agencies.

BPF accepts it failed to update its own records and incorrectly told Mr P it would remove the default. It said it paid compensation of £200 for this and offered an additional £100. I find this was reasonable in the circumstances given the overall impact of the errors on Mr P. I don't require BPF to pay Mr P any more than this.

### **My final decision**

For the reasons I have explained, I do not require Clydesdale Financial Services Limited trading as Barclays Partner Finance to do anymore than it has already offered to do. If Clydesdale Financial Services Limited trading as Barclays Partner Finance has not paid any of the total compensation of £300 it has offered over the course of Mr P's complaint, it must pay this to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 December 2023.

Michael Ball  
**Ombudsman**