

The complaint

Mr and Mrs D complain that Lloyds Bank PLC applied a payment arrangement marker to their bank account when the arrangement was only agreed for Mrs D's credit card. Mr and Mrs D also complain about having to contact Lloyds on multiple occasions without response.

What happened

I set out the background and my provisional findings to the complaint in my provisional decision, and copied here.

'In February 2022 Mr and Mrs D requested Lloyds apply a payment arrangement on Mrs D's credit card, but said that Lloyds also applied this to their joint bank account. Lloyds agreed to remove the arrangement in May 2022, however Mr and Mrs D said that in October 2022 the marker was still in place and has continued to affect their credit rating.

Mr and Mrs D said this caused them increased costs when trying to apply for a mortgage, and paying higher interest rates than they would have without the marker. Mr and Mrs D complained to Lloyds and said they wanted to be compensated for the stress and additional costs they have incurred and the delay in removing the marker from their credit file.

Lloyds responded to the complaint in May 2022 and January 2023. Lloyds that a repayment arrangement was agreed for Mrs D's credit card at her request in February 2022. In error it also applied this to their bank account affecting their credit files. Lloyds apologised for its error and agreed to have the markers removed. Lloyds paid Mr and Mrs D a total of £175 compensation for their trouble and upset.

Lloyds said Mr and Mrs D made contact on 20 January 2023 as the arrangement markers had reappeared. Lloyds agreed to remove them and processed the request on 30 January 2023. Lloyds advised Mr and Mrs D to allow up to 90 days for their credit file to be amended. Lloyds said it had offered to review any further financial impact of the increased mortgage payments if Mr and Mrs D could provide evidence that showed this was a result of the markers. It said it was disappointed that Mr and Mrs D had to contact the bank on several occasions before it responded to them, and paid them a further £150 compensation.

Mr and Mrs D weren't satisfied with Lloyds' response to their complaint and referred it to our service. Our investigator didn't recommend the complaint be upheld. She said we would need evidence that they would have received a lower interest rate on their mortgage had there not been arrangement markers on their account. She said the compensation Lloyds paid was fair for the impact of its mistake about the markers, which it had since corrected. Mr and Mrs D disagreed, saying that as of 30 May 2023 the marker was still on their credit file – more than 90 days from the requested removal. Mrs D said her application for a new credit card had been rejected and previously applied for four mortgages. They provided a letter from a broker that stated three mortgage applications had been declined due to their credit rating and they had had to proceed with 'adverse lenders'. And provided evidence which shows the only adverse information reported on their credit files was from Lloyds.

In response, the investigator said that Lloyds had failed for a long time to remove the credit marker and should now ensure this is done and pay Mr and Mrs D £500 compensation. Lloyds agreed, but Mr and Mrs D did not and requested an ombudsman review their complaint.

What I've provisionally decided – and why

I can see that Mr and Mrs D weren't aware that Lloyds would apply the marker they requested for Mrs D's credit card, to their current account. At the point that they became aware they were applying for a re-mortgage and realised that their credit rating had been adversely affected and that they wouldn't be able to go through with the re-mortgage. I can appreciate the shock and upset they felt at this time.

I'm concerned that Mr and Mrs D's credit score did not revert to its previous level and their complaint concerns the time this has taken and impact they suffered. They say this issue stopped and delayed their re-mortgage. They told Lloyds they had to take a bridging loan to complete the purchase of their property, and this cost them £100,000. Since their complaint Mr and Mrs D have reported that the marker returned to their credit file three times in respect of their current account, with the latest incidence in August 2023.

Lloyds has apologised to Mr and Mrs D for its mistake in applying the marker to their current account. And so the key question for me is whether or not this mistake prevented or delayed Mr and Mrs D's mortgage and credit card applications, and if so what the impact of this was on them.

Lloyds has confirmed that an arrangement is still being reported to the credit reference agencies about Mr and Mrs D's current account, despite its previous requests for removal. Lloyds said it would amend the credit file in May 2022 and again in January 2023, and yet the credit marker was still present in August 2023. It said that Mr and Mrs D's credit score had suffered only a minor reduction when the mistaken marker was initially in place.

A prolonged negative marker on a credit file can have serious implications for a consumer's ability to obtain credit. However, Mrs D's credit file has adverse information reported in relation to her credit card as well as the erroneous marker on their current account. And so it wouldn't be the latter that is the sole reason for the decline of their mortgage applications. It should be borne in mind that a mortgage application is assessed by a lender's underwriters against all criteria associated with the lender's appetite to lend. And so there are many factors which influence a business' lending decision, including the level of the applicants' debt, a poor credit score, etc.

From what I've seen Mr and Mrs D took out short term mortgage borrowing in December 2021 with a view to obtaining a mortgage in March 2022. The mistaken marker was applied in March 2022 and Mrs D's credit card arrangement was due to end in May 2022. Mrs D has since told us that they have decided not to re-mortgage their borrowing and have accepted high interest rates as a result. In the light of what I've said about the many factors that may affect an application for credit and as I haven't seen evidence of a direct loss associated with the current account marker, I don't propose to award compensation for additional interest or charges Mr and Mrs D may have incurred in this respect.

Lloyds said it had re-submitted the credit file amendment on 16 August 2023, and would monitor to make sure its correct. The credit report obtained after this by Mrs D shows an adverse marker for August 2023 and so it would appear that Lloyds needs to take further action concerning permanent removal. Mrs D has shown us evidence of the fees she and her husband paid to check their credit file whilst incorrect information was reported. This totals £355.64 for the period from March 2022 to September 2023 and I think it would be fair for Lloyds to reimburse this cost to Mr and Mrs D for the repeated presence of the mistaken marker. I understand Lloyds' point that a customer pays for their credit file to view everything, not just a mistaken marker. However, I don't doubt that the dominant reason for

Mr and Mrs D's monthly checks was to see if Lloyds had corrected its mistake and so I currently think it would be fair for Lloyds to reimburse them for these charges.

I've considered the compensation of £500 recommended by the investigator for the distress and inconvenience Mr and Mrs D have suffered. It's obvious from Mrs D's calls to Lloyds in May 2022 that she wanted an amendment to the mistaken marker as quickly as possible due to their borrowing requirements. The calls between Mrs D and Lloyds became strained and ineffective as she felt that her complaint issues were not being resolved. And previous call back requests from Mrs D were not always actioned by Lloyds, causing her great frustration. I think it likely that Mr and Mrs D were deterred from making credit applications by the ongoing presence of the marker. I am currently minded to award compensation of £750 as I think this represents a fair reflection of the distress and inconvenience caused to Mr and Mrs D and is consistent with awards we have seen in similar circumstances.

Conclusion

Mr and Mrs D haven't provided anything to show that their mortgage applications suffered as a direct consequence of the negative credit marker on their current account as opposed to Mrs D's credit card report or elsewhere, and so although I think this was likely to have been a contributory factor, I can't fairly say that Lloyds are responsible for any specific loss.

I currently think it would be fair for Lloyds to reimburse Mr and Mrs D for the fees they incurred to check credit reports. Mrs D has described the ongoing worry and inconvenience they suffered as a consequence of Lloyds error and its failure to correct it for well over a year. And I currently think Lloyds should pay them £750 compensation over and above that already paid by Lloyds.

My provisional decision

For the reasons I have given it is my provisional decision that the complaint is likely to be upheld. I am minded to require Lloyds Bank PLC to pay Mr and Mrs D £750 compensation for the distress and inconvenience they have been caused and, if it has not already done so, ensure the 'arrangement' marker is removed from their credit files in relation to their Lloyds' joint current account.

I am also minded to require Lloyds Bank PLC to reimburse Mr and Mrs D for the cost they incurred of £355.64 on obtaining credit reference reports during the period when Lloyds was mistakenly reporting an adverse marker in respect of their current account.'

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.

Lloyds had no further comments to make in response to the provisional decision.

Mrs D responded to say that the arrangement marker from the current account has still not been removed and she provided screen shots of her credit file to show this. Mrs D wants to know what can be done to deal with the bank's mistake.

Mrs D said she should be receiving a higher pay out for Lloyds' mistake and persistent failure to take account and resolve the situation. She said she is distraught about what she has been put through and is utterly disappointed and said Lloyds should be ashamed of itself.

I have reconsidered the issues and compensation I recommended, and having done so I remain of the view that what I put forward in my provisional decision represents a fair and reasonable outcome to Mr and Mrs D's complaint.

I am very sorry to see that the problem with the adverse marker on the credit file is still present, and can well understand Mr and Mrs D's frustration about this. In my provisional decision I said to Lloyds, 'if it has not already done so, ensure the 'arrangement' marker is removed from their credit files in relation to their Lloyds' joint current account'.

Within my provisional decision I attempted to deal with all of the issues raised by Mr and Mrs D and so I have covered the period beyond Lloyds' final response to Mr and Mrs D's complaint, up to when they received their credit file report in September 2023. This means that it is open to Mr and Mrs D to bring a further complaint to Lloyds about the ongoing problem with the credit marker from that point onwards. The complaint can then be referred to our service once they have received a final response from Lloyds if they remain dissatisfied.

In the meantime, we have asked Lloyds to redouble its efforts to get the adverse marker removed. Lloyds has told us that it is urgently reviewing this in light of Mrs D's latest communication.

I am still only able to review the period of Mr and Mrs D's complaint up to the receipt of their credit report in September 2023. Mrs D has said 'she' should be receiving a higher pay out for Lloyds' mistake, but hasn't provided anything further about this.

Mr and Mrs D still haven't provided anything to show that their mortgage applications suffered as a direct consequence of the negative marker on their credit file concerning their current account as opposed to Mrs D's credit card report or elsewhere. I remain of the view that this would likely have been a contributory factor to their difficulties although I haven't seen that Lloyds has been responsible for any specific loss.

Putting things right

I remain of the view that it would be fair for Lloyds to reimburse Mr and Mrs D for the fees incurred to check credit reports. Mrs D described the ongoing worry and inconvenience they suffered as a consequence of Lloyds' error and its failure to correct it for well over a year. And I think Lloyds should pay them £750 compensation over and above any amount it has already paid them.

If Mr and Mrs D choose to reject this decision then it will be of no legal effect, and they can pursue their complaint by other means. They should note, however that Lloyds would not then be obliged to pay them any compensation.

My final decision

For the reasons given here it is my final decision that the complaint is upheld. I require Lloyds Bank PLC to pay Mr and Mrs D £750 compensation for the distress and inconvenience they have been caused and, if it has not already done so, ensure the 'arrangement' marker is removed from their credit files in relation to their Lloyds' joint current account.

I also require Lloyds Bank PLC to reimburse Mr and Mrs D for the cost they incurred of £355.64 on obtaining credit reference reports during the period when Lloyds was mistakenly reporting an adverse marker in respect of their current account.

The parties should note that the compensation I have awarded here applies to the period up until Mr and Mrs D received their credit file report in September 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 8 January 2024.

Andrew Fraser
Ombudsman