

The complaint

Mrs M is unhappy with how Oakbrook Finance Limited have reported her loan account to her credit file.

What happened

Mrs M had a personal loan with Oakbrook. In September 2020, Oakbrook were contacted by a debt charity on Mrs M's behalf who informed them that Mrs M was experiencing financial difficulty and asked Oakbrook to accept reduced monthly payments from Mrs M. Oakbrook accepted the proposal put forwards by the debt charity and Mrs M made reduced payments to her loan account in accordance with that plan. However, Mrs M noticed that Oakbrook were reporting missed payments to her credit file regarding the loan, which she didn't feel should be the case. So, she raised a complaint.

Oakbrook responded Mrs M and explained that they didn't feel that they'd made any errors in how they'd reporting her loan to the credit reference agencies. Mrs M wasn't satisfied with Oakbrook's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Oakbrook had acted unfairly in how they managed the situation and so didn't uphold the complaint. Mrs M 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.

Mrs M has explained that after Oakbrook agreed to the reduced payment plan, she didn't miss any payments at the reduced amount and so feels that the reporting of missed payments to her credit file is incorrect.

I can appreciate Mrs M's argument here, but unfortunately it appears to be based on an incorrect understanding of how credit file reporting operates when reduced payment plans have been agreed to.

The reason why Oakbrook's reporting of missed payments to Mrs M's credit file is correct is because credit file reporting is based on the contractual terms of the loan, as per the loan agreement. In short, the reporting is based on the contractual loan payment amount, and it isn't affected by any reduced payment plans that a credit provider might accept and agree to.

In this instance, before Mrs M engaged the debt charity to act on her behalf, she was contractually obliged to pay £55.58 a month to her loan. And she paid this amount up until the reduced payment plan was agreed.

When the debt charity contacted Oakbrook on Mrs M's behalf, they proposed – and Oakbrook accepted – that Mrs M would pay a reduced sum of £19.57 a month. But even though Oakbrook accepted that Mrs M would pay this reduced amount, the credit file

reporting was still undertaken based on the monthly amount that Mrs M was contractually required to pay - £55.68.

This meant that when Mrs M began making payments of £19.57 a month, she was paying £36.11 less than she was contractually required to pay. Consequently, this meant that after Mrs M made the first reduced payment of £19.57 in December 2020, she was £36.11 in arrears on the account.

Furthermore, when Mrs M paid the second reduced payment amount the next month, she fell a further £36.11 in arrears, for a total of £72.22. And, importantly, because this amount of arrears (£72.22) was more than the contractually required payment (£55.68) Mrs M was considered to be more than one payment in arrears, and this was reported as such by Oakbrook to her credit file. And Oakbrook were correct to do so.

Additionally, as Mrs M made further reduced payments towards her account, she fell further and further into arrears on her account with each payment, and the number of full contractual payments she was considered to be behind on increased.

I've reviewed how Oakbrook have reported Mrs M's loan account to her credit file, and I'm satisfied that they have reported it accurately and correctly and as would be expected given the reduced payments that Mrs M was making to the account – which as explained, weren't to the level that she was contractually required to pay as per the loan agreement.

Mrs M may ask what the point of a reduced payment plan is – if a credit provider is going to report arrears on the account because of those reduced payments. But when a credit provider such as Oakbrook agrees to a reduced payment plan, they're agreeing to not chase the account holder in question for the arrears that develop on the account because the account holder can't make the contractually required payments. And, as explained, it isn't the case that they're absolving the account holder of their contractual responsibilities to make the credit repayments as per the credit agreement.

Mrs M might also suggest that if she'd known that making these reduced payments would impact her credit file in the way it has that she wouldn't have made them and would instead have made the payments required of her by the loan agreement. But the debt charity which approached Oakbrook provided details of Mrs M's financial position which demonstrated that the reduced amount they were proposing to Oakbrook was all that Mrs M could reasonably afford to pay at that time. And so, I don't feel that Mrs M would, in all likelihood, have been able to continue the contractually required payments of £55.68, had she wanted to do so.

And, in circumstances such as this, where it's clearly explained to a credit provider than an account holder can only make reduced payments to an account, it would be expected that the credit provider would accept those payments, in the manner that Oakbrook did – which includes credit file reporting resultant from those reduced payments as I've explained.

I realise this won't be the outcome Mrs M was wanting, but it follows from all the above that I don't feel that Oakbrook have done anything wrong or acted unfairly here, and so I won't be upholding this complaint. I hope Mrs M will 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 Mrs M to accept or reject my decision before 3 October 2023.

Paul Cooper
Ombudsman