

The complaint

Mr C complains The Royal Bank of Scotland Plc (RBS) adversely affected his credit score.

What happened

Mr C switched from another bank to RBS. Mr C checked his credit score and it had reduced. Mr C was then declined credit by another bank, and felt the only explanation was the account opened with RBS.

Mr C did some research and saw an application for a switch shouldn't affect his credit score. Mr C complained to RBS, and it said if a new account is applied for this might affect a credit score. RBS said a search would have been recorded for the account and overdraft.

RBS said its terms and conditions say a credit check will be recorded for any overdraft application. Mr C didn't agree and brought his complaint to this service.

An investigator looked into things and didn't think Mr C's complaint should be upheld. The investigator thought whilst a like for like switch might not affect a credit score, any application with an overdraft might affect the score.

The investigator thought the searches RBS recorded were accurate, and a number of searches in a short time might reduce the score. The investigator also mentioned the application for a credit card Mr C made.

The investigator also said RBS doesn't record or change the score it just records the data, and the investigator thought this data was correct. Mr C didn't agree.

Mr C said the credit card application wasn't relevant as this happened after the score reduced. Mr C also said there was no mention of the dramatic effect the reduction in score had on him.

Mr C also said he'd been told by the lender which declined him his credit score was relevant as he didn't meet its score for lending. Mr C asked for an ombudsman to decide things.

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 don't think Mr C's application for a credit card is relevant to his complaint, so I won't be considering this part of his dealings with RBS.

And Mr C has another complaint against a credit reference agency, and asked for the two complaints to be decided by the same ombudsman. I don't think that needs to be done here, I think the two complaints are separate and distinct.

It's not in dispute Mr C applied for an account with RBS. I've seen the information Mr C found online and it says there could be a 'trivial' effect on someone's credit score if a switch is applied for.

This suggests there would be an effect on Mr C's credit score when he carried out the switch. And RBS recorded a search on Mr C's credit file when he applied for the account and, more importantly, an overdraft.

Mr C says he wasn't applying for credit as he was matching an overdraft he already had. But Mr C was approaching a new lender, RBS, and asking it to agree an overdraft.

I think it's fair for RBS to search Mr C's credit file, and record the search, when it looked to agree the overdraft. RBS was making its own decision to lend, I wouldn't expect it to rely on Mr C's previous lender's decision.

And searches on a credit file can have an adverse effect on someone's credit score, and it seems this happened to Mr C. Mr C says his score reduced by 45 points, but the knock-on effect of this was severe.

Mr C was looking to get lending for a holiday home, and a couple of lenders declined his application for credit. Mr C has comment from these lenders, and amongst this comment is he failed the lender's internal credit score.

I think it's important to say how lenders generally assess an application. A lender will look at the raw data on Mr C's credit file and make its own score, and a lending decision based on this score, not the credit score Mr C can see.

Mr C's credit score is visible to him, and the credit reference agency which created it. Mr C's credit score isn't visible to lenders. What is visible, among other things, is the credit accounts Mr C holds, how he's run them, when accounts have been opened and recent searches.

I think RBS fairly recorded Mr C's application for the account and overdraft. This record appears to have reduced Mr C's credit score. But I think RBS was correct in recording the information it did.

Mr C's credit score reduction appears to be the result of a reasonable decision by RBS to fairly record information about his application. Because of this, I can't say RBS has made an error in this recording, and therefore RBS hasn't incorrectly impacted Mr C's credit file.

I can see the strength of feeling Mr C has about what happened. But I don't think it would be fair for RBS to compensate Mr C for the effect on his credit score, I don't think RBS has done anything wrong.

And whilst I can empathise with the problems Mr C's had trying to get credit, I still don't think RBS has treated him unfairly. If another lender has based its decision making on a factual record input by RBS, then that's for the specific lender to answer.

I think RBS recorded true and accurate information on Mr C's credit file, an application for an account and an overdraft, so I can't say it's done anything wrong here.

Because of this, and despite the effect the reduction of Mr C's credit score had on him, I don't think RBS has treated him unfairly.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 January 2024.

Chris Russ
Ombudsman