

The complaint

Mrs W has complained that Morses Club PLC (Morses) has incorrectly recorded adverse information on her credit file after she approached it for help and support caused by COVID-19 pandemic in January 2021. Mrs W says this issue is causing her stress.

What happened

Our adjudicator didn't uphold Mrs W's complaint. Mrs W didn't agree with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision explaining the reasons why I was also intending to uphold Mrs W's complaint but I provided further reasons. A copy of the background to the complaint and my provisional findings follow this in italics and forms part of this final decision.

What I said in my provisional decision:

This complaint is about the arrears information as well as the help and support Morses offered to Mrs W. This help and support relate to a loan Mrs W took on 7 October 2020 for £760. She was due to make 53 weekly payments of £26.60.

She appeared to have some problems repaying this loan, and so in January 2021 she agreed a repayment plan with Morses to repay £10 per week. This was regularly reviewed, and based on what Morses told us, Mrs W initially returned to normal contractual repayments at the end of June 2021.

Mrs W made a complaint to Morses about the arrear's information on her credit file and the letters she'd received about the arrears. Mrs W says this information shouldn't have been recorded on her credit file, because her issues were caused by the pandemic.

Morses investigated her complaint and issued a final response letter (FRL) on 8 June 2021. It explained that arrears starting to build on her final loan from December 2020. It says the information reported to the credit reference agencies is accurate and it therefore wouldn't be making any changes.

Mrs W, unhappy with this response referred her to complaint to this Service.

One of our adjudicator's reviewed Mrs W's complaint. She didn't think it should be upheld, and she made the following points;

- *She outlined the measures the industry regulator (Financial Conduct Authority (FCA)) put in place to assist lenders and consumer with payment deferrals.*
- *The adjudicator pointed out, that at the time, the guidance wasn't applicable to Mrs W because the support offered through a payment deferral expired at the end of October 2020 – which is before Mrs W approached Morses for support.*
- *The help and support offered to Mrs W was in line with the Consumer Credit Sourcebook (CONC) and she thought Mrs W had been treated fairly.*
- *Due to the repayment plan, Morses didn't add any further interest or charges to the*

balance.

- *She thought the information Morses reported to the credit reference agencies was accurate – she also confirmed with Mrs W that her account hadn't yet defaulted.*

Morses appear to have accepted the adjudicator's findings.

Mrs W didn't agree, in summary she had said;

- *She had been told that if she needed help with making the payments she should ask.*
- *Mrs W says she was affected by the lockdowns and she's a vulnerable person.*
- *This Service hasn't appreciated the impact on her credit file of having arrears recorded on it for six years.*
- *Had the agent explained the consequences of accepting a repayment plan she wouldn't have approached Morses for help.*
- *The agent has confirmed with Mrs W that her credit file should be amended.*
- *Morses hasn't followed the FCA's COVID -19 payment deferral guidance correctly.*
- *Mrs W acknowledges she missed some payments but was told not to worry because she was a vulnerable consumer.*
- *Mrs W confirmed she wasn't currently making any repayments towards her balance.*

As no agreement could be reached the complaint has been passed to me for a final decision.

What I've provisionally 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 also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was provided.

I'm sorry to hear about Mrs W's health problems I do hope things have improved for her.

This complaint is solely about the help and support Morses provided to Mrs W when she approached it for assistance in January 2021. So, when thinking about whether Morses has done everything it ought to have done, I've considered CONC, the FCA's Payment Deferral Guidance and what the Information Commissioner's Office (ICO) says about reporting information to the credit reference agencies. The ICO is the body responsible, for issuing guidance to lenders about how information should be reported to credit reference agencies. So, it's only right I consult and see what these different documents have to say.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs W's complaint.

It's important to note, that given the way the loan is structured, it wouldn't have made any financial difference to Mrs W which options were provided to her (in terms of repayment or deferrals) because Morses didn't add any extra interest as a result of the payment plan, and neither would any had been added if a deferred plan was added. The crux of the issue here is the impact on her credit file.

I've already outlined above, that Mrs W took a loan for £760 in October 2020 and she was due to make 53 weekly payments of £26.60. Looking at the account history I can see that initially Mrs W was making her repayments broadly in line with the credit agreement, she had missed a payment and made a couple of payments late during the first few weeks of having the loan. Then into November 2020, Mrs W made her first three payments broadly in line before missing the last payment in November 2020.

But Mrs W didn't make any repayments towards the loan from 17 November 2020 until she agreed the repayment plan with Morses on 14 January 2021.

So, at the point Mrs W contacted Mores on 14 January 2021 she was approximately six to seven weeks in arrears and had missed around 50% of the payments that were due to be made in that period.

I understand, that Mrs W says she was classified as medically vulnerable, I do hope things have now improved for her. However, at this time, it doesn't appear that she told Morses this, and given the amount of arrears, Morses would've been entitled to record this on her credit file, but I can see what it has chosen not to do that.

I can see that Mrs W spoke to Morses on 14 January 2020. Unfortunately, a copy of the call isn't available, which isn't helpful. But I'll have to be guided by what the call notes say. For the call on 14 January 2021 the following note has been made by Morses;

"..customer phone to say she has had problems & requested a payment plan the customer feels she can only afford to pay £10pw at present a customer will pay £10 week for next few months".

This call note shows that Mrs W contacted Morses because she was having problems repaying her loan which was reflected in the missed payments to date. There is no mention of COVID and / or the pandemic. But that doesn't mean to say it wasn't discussed only the notes doesn't suggest that it was.

As I've said the calls aren't available, so I don't know for sure whether it was discussed. But, whether COVID was mentioned in my mind doesn't change the view that I've reached, primarily because it would've appeared to Morses that Mrs W had longer term financial problems.

In January 2021, Morses had a decision to make, based on what Mrs W said it could've and was required to at a minimum follow the forbearance guidance detailed in CONC or it could've looked at what the FCA was saying.

I've looked at the FCA's "Personal loans and coronavirus: Payment Deferral Guidance – November 2020". This guidance was released in November 2020 and was applicable for consideration at the time that Mrs W contacted Morses. This guidance extended the help and support through payment deferrals that the FCA had initially announced in April 2020 and further extended in July 2020.

The FCA updated the guidance in November 2020 to enable further payment deferrals to be entered into before 31 March 2021. So, unlike the conclusions reached by the adjudicator, the option for a payment deferral was at least available to Mrs W – but that doesn't mean it would be the correct course of action to offer her one.

The FCA's guidance says;

1.4 The guidance provided immediate and temporary support for customers to help them deal with short-term financial difficulties

Mrs W says she needed the help and support as a result of the pandemic affecting her income, and a recent change to her health status. So, it would seem, that this support may have been appropriate for Mrs W. But the guidance goes on to say;

1.18 This guidance applies where customers are experiencing or reasonably expect to experience temporary payment difficulties due to circumstances arising out of coronavirus. Where a customer was in pre-existing financial difficulty unrelated to coronavirus, our existing forbearance rules and guidance in CONC 7 would continue to apply. Forbearance under CONC 7 would include for example the firm considering suspending, reducing, waiving or cancelling any further interest or charges, deferring payment of arrears or accepting token payments for a reasonable period of time.

And

2.4 A firm should not give a payment deferral under this guidance in relation to a regulated credit agreement: where the firm determines (acting reasonably) that it is obviously not in the customer's interests; • where the customer was in pre-existing financial difficulty unrelated to coronavirus in respect of which they are entitled to forbearance under our rules and guidance in CONC 7...

Looking at what Moses was aware of at the time, (given the phone note) and the fact the account was already in arrears, I think in this case, the support and help offered to Mrs W through a repayment plan was reasonable. I say this because, I think given the number of missed payments and for the length of time that it was ongoing for, would've likely led Moses to conclude that Mrs W was having longer term difficulties rather than short term difficulties.

On 22 February 2021 a further call was made between Mrs W and Moses, this time the notes say (this is verbatim);

"Call back P cs has been affected by covid as used to do odd jobs to earn extra cash and had to move her horses had extra expenses. Required pp 10.00 week till end of march A 10.00 wk review 4 weeks"

This appears to be the first time that the pandemic was mentioned (or at least recorded). This also given an indication that the problems Mrs W was experiencing were short term in nature.

But what I can't ignore, is that Mrs W had been having problems repaying the loans from the outset, so it's likely that the problems she was having were (and likely to be) longer term. This means, that when Mrs W approached Moses for help, it would need to consider what help and support was applicable under CONC. The relevant section of CONC for consideration is 7.3.

CONC 7.3.5G gives examples of how a lender, like Moses could assist a customer once it becomes aware of financial difficulties.

Examples of treating a customer with forbearance would include the firm doing one or more of the following, as may be relevant in the circumstances:

(1) considering suspending, reducing, waiving or cancelling any further interest or charges (for example, when a customer provides evidence of financial difficulties and is unable to meet repayments as they fall due or is only able to make token repayments, where in either case the level of debt would continue to rise if interest and charges continue to be applied);

[Note: paragraph 7.4 (box) of ILG]

(2) allowing deferment of payment of arrears:

- (a) where immediate payment of arrears may increase the customer's repayments to an unsustainable level; or
- (b) provided that doing so does not make the term for the repayments unreasonably excessive;
- (3) accepting token payments for a reasonable period of time in order to allow a customer to recover from an unexpected income shock, from a customer who demonstrates that meeting the customer's existing debts would mean not being able to meet the customer's priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills).

Looking at the actions of Moses, I'm satisfied that it did treat Mrs W fairly. It discovered that she was having repayment problems and agreed to help her by reducing her weekly payments to £10 per week rather than paying the contractual amounts of £26.60 per week.

Indeed, the amount for £10 per week appears to be what Mrs W says she could afford to pay towards this loan, and it's entirely reasonable, given what Moses knew at the time for it to have accepted this amount. As part of this plan, Moses was entitled to report these arrears on Mrs W's credit file.

Given that Mrs W was put on a payment plan, then adverse information will be reported to the credit reference agencies. This is entirely consistent with the guidance issued by the ICO entitled "Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies." The relevant section that I have to consider is principle three entitled;

'If you offer or make a reduced payment, how it is reported will depend on whether it is agreed with the lender.'

This principle deals with arrears and how these are reported, the principle says;

'Agreed reduced or revised payments If, due to financial difficulty, your lender agrees a reduced or revised payment with you, this will be reflected on your credit file. How revised or reduced payments are shown on your credit file will depend on whether it is a temporary or permanent change to the agreement...'

Looking at the information that Moses reported to the credit reference agencies, I can see Moses reported the balance has decreased in line with the payments that Mrs W made. It also has reported the arrears, which is consistent with the ICO guidance which says;

'...when such an arrangement is made and maintained, that it will show on your credit file and that whilst arrears may accrue and increase a default will not be recorded.'

So, given the plan was stuck to by Mrs W the information that Moses reported to the credit reference agencies appear to have been accurate and in line with the support offered to Mrs W under CONC as well as the reporting guidance issued by the ICO.

Therefore, based on the guidance and rules that I'm following, I don't think Moses has made a mistake in Mrs W's case. It therefore follows that Moses doesn't need to make any adjustments to Mrs W's credit file.

Moses has told us the current balance. But Moses calls these arrears but I believe it to be the balance given what the amount as showing outstanding on Mrs W's credit file is £953.80.

If Mrs W is still experiencing financial difficulties, she may wish to discuss these with Moses. I'd also remind Moses of its obligation to treat Mrs W fairly and with forbearance.

So, I'm not upholding Mrs W's complaint about her credit file. I appreciate Mrs W will be disappointed by the outcome of this complaint, but I hope my explanation has been useful in explaining why I've reached the outcome that I have.

Response to the provisional decision

Both parties were asked to provide any further comment or evidence by 19 November 2021.

Moses told us it had received the provisional decision and it didn't have anything further for this Service to consider.

Mrs W didn't agree with the provisional decision. In response she said;

- Moses agents approached her to see if any help was needed.
- Mrs W wasn't told that by accepting the help adverse information would appear on her credit file.
- Mrs W advised this Service "...and although was applied the figures of months in Arrears did not state true facts."
- She expected to be helped and protected as the FCA outlined.
- The government offered help into 2021 and didn't end in 2020.

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 thought about Mrs W's comments, but in this instance, they haven't changed my mind about the outcome of the case. I still don't think Moses made an error when it dealt with Mrs W's request for help. I've explained why below.

Firstly, I do agree with Mrs W about what help was potentially available to her in January 2021. The FCA did extend specific support as a result of the COVID-19 pandemic to the end of March 2021 – as outlined in the updated guidance that was issued in November 2020. As I explained in the provisional decision, it was available as an option to Moses at the time that help was offered to Mrs W in January 2021.

And the general rules and guidance, around treating customer's fairly when in forbearance are outlined in CONC (as I mentioned in the provisional decision) and these are always applicable – regardless as to when help is either sought or enquired about.

In the provisional decision I mentioned the telephone calls that Moses was able to provide notes for. I don't, and I can't, rule out that there was further contact between Mrs W and the agent(s) managing her loan.

But whether Mrs W was approached by Moses or she contacted Moses first, in my view doesn't have a bearing on the outcome. This is because, Moses had an obligation to treat her fairly and with forbearance considering whether the FCA's COVID-19 guidance was appropriate (given what it knew) or whether it needed to help Mrs W with a repayment plan – with the regulatory basis of this being found in CONC. And I have already made findings

about the type of help that was offered to Mrs W, and why, in the provisional decision, so I won't report that information here.

Mrs W also said she wasn't told the plan would've had an impact on her credit file. I don't have the copy of the calls between Mrs W and Moses. So, I can't be sure exactly what she was or wasn't told about the implications of the repayment plan. But, Moses has told us that arrears letters would've been sent. Moses says these letters "*informed of her status of the account*".

In addition, I've already outlined in the provisional decision why I think the information recorded on her credit file by Moses is in line with the guidance issued by the Information Commissioner's Office. So I don't think Moses needs to make any adjustments to her credit file.

In this instance, Mrs W's further comments haven't persuaded me to change the outcome that I reached in the provisional decision. I still don't think Moses made an error and it therefore doesn't need to update Mrs W's credit file.

As I mentioned in the provisional decision, an outstanding balance does appear to remain. So, Mrs W may wish to contact Moses to discuss a way forward. If Mrs W needs further help and support I remind Moses of its obligation to treat her fairly and with forbearance.

My final decision

For the reasons I've explained above, and in the provisional decision, I'm not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 29 December 2021.

Robert Walker
Ombudsman