

## The complaint

Mr H complains (through a representative) that Morses Club PLC (Morses) isn't reporting correct information on his credit file about his loans.

## What happened

Mr H took three loans between July 2015 and February 2018. I've included some of the information we've received about these loans in the table below.

loan number	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
1	£100.00	03/07/2015	29/04/2016	34	£5.00
2	£150.00	24/04/2016	10/02/2017	33	£7.50
3	£300.00	02/02/2018	23/10/2020	33	£15.00

Mr H had some significant repayment problems with loans one and two. While the loans have been repaid, it took Mr H 43 weeks to repay loan one and 41 weeks to repay loan two. Morses has reported missed payments about these loans on his credit file.

Mr H also entered into a Scottish Sequestration in March 2019 and he was discharged in September 2019.

Following Mr H's complaint Morses issued its final response letter (FRL) which said it didn't do anything wrong. Morses says the information it has recorded about these loans on Mr H's credit file is an accurate reflection of the running of the loan accounts so it wouldn't be making any adjustments to his credit file.

Mr H was unhappy with this response and referred his complaint to the Financial Ombudsman Service.

An adjudicator reviewed the complaint and he didn't think Morses had made an error. He made a number of observations including:

- Morses had correctly recorded the start and end date for each loan;
- Mr H had missed some repayments and this had been recorded on his credit file;
- while Morses' system showed the final loan was adjusted in October 2020, the information on Mr H's credit report reflected the Sequestration dates;
- any adverse information recorded on Mr H's credit file will remain for six years and
- the Sequestration ending wouldn't lead to the adverse information reported either being removed or deleted from the credit file.

Mr H didn't agree with the adjudicator's assessment, in response he sent in a number of emails and evidence including a copy of his full credit file. I've summarised what he has provided below:

- Morses is reporting incorrect information on the credit file;

- all of the information should be backdated to September 2019;
- Mr H says that he believes Moses want the record to be removed in 2026 instead of 2025;
- the loan advanced amount reporting on his credit file for loan three and
- Mr H asked Moses to pay him £1,000 compensation and remove the adverse information and default from his credit file.

Mr H also provided further comments around his financial situation at the time these loans were granted as well as saying these loans were unaffordable. However, these comments wouldn't have an impact on whether the information recorded with the credit reference agencies is correct. So, I've not gone into any detail in relation to these comments.

The adjudicator went back to Mr H's representative, to say the information recorded on Mr H's full credit report by Moses was correct and an accurate reflection of what happened. So, no changes needed to be made.

He also said, that the starting amount is likely to be different on the final loan because when the loan was first reported to the credit reference agencies Mr H had already made some repayments, but he didn't think this amount was causing Mr H any detriment – even if the starting balance may be wrong.

As no agreement could be reached the case has been passed to me to decide.

### **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.

To start with, I want to be clear, that this complaint doesn't deal with whether Moses made an error when approving these loans. This decision will solely deal with the information Moses has recorded on Mr H's credit file and whether it is correct.

### **Loan one**

For this loan Mr H was due to repay a total of £170 and I can see from the statement of account that Mr H began by making his contractual payments as Moses expected. However, there are periods of missed payments for example, no payments were made towards the loan account in December 2015.

This would've led to arrears being recorded on Mr H's credit file and Moses would be entitled to do this. This is in line with the Information Commissioner's Office guidance (ICO) note entitled "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*".

The ICO is the body set up to monitor how businesses use personal data, and one of its guidance notes is to help lenders make sure the information that it is reporting on a credit file is correct. In the ICO guidance, it says:

***2. Should a payment not be made as expected, information to reflect this will be recorded on your credit file***

*If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears.*

Given the above, which is from the ICO guidance's note, I can't say Moses has made an error when its recorded arrears with the credit reference agencies when Mr H didn't make his payments as expected. Moses has, followed the guidance issued by the ICO in recording the arrears with the credit reference agencies.

I've also gone on to compare the information Moses says it is reporting, compared to the information that Mr H can see on the full credit file that he provided the Financial Ombudsman.

Looking at Mr H's credit report the start and end date for this loan are correct. It also shows missed payments, which appear to reflect that missed payments occurred on the account, so from January 2016 adverse information is reported, which matches that Mr H didn't make any repayments in December 2015 and so the account was now in arrears.

I've also considered the information Moses has provided which is its records of what should be recorded with the credit reference agencies and this information matches what I can see is actually being reported on Mr H's credit file. Moses is recording in my view the correct adverse information. And Mr H's credit file is an accurate reflection of the way that he ran the account.

So, I'm satisfied, having looked at all of the evidence for this loan, that Mr H missed payments, these should be reported to the credit reference agencies and the information Moses recorded is accurate. So Moses doesn't need to make any adjustments to the credit file for this loan.

I know Mr H entered into a Sequestration, but this occurred after this loan was taken out and fully repaid. So, the Sequestration wouldn't have any bearing on the adverse information Moses has reported about this loan. For, example the Sequestration wouldn't lead to the deletion of the arrears that are being reported.

The loan was closed in April 2016, so this loan record will be removed from Mr H's credit file after six years, so from the end of April 2022.

## **Loan two**

I've also looked at this loan, and for similar reasons as above I'm not upholding Mr H's complaint about this loan either.

The start and end date on Mr H's credit file are correct and it shows the loan was fully repaid, which again is correct. The credit file entry also shows that Mr H had further problems repaying this loan – which is reflected in the statement of account for this loan, for example Mr H only made one payment in February 2017.

It also seems the information Moses says it is reporting about this loan is reflected in the information that is on Mr H's credit file. So, it looks, to me that the information is an accurate reflection of the way Mr H ran the loan account.

Overall, Mr H missed payments which have been reported to the credit reference agencies, which, as I've shown above is in line with the ICO guidance and so I don't think Moses needs to make any adjustment to the credit file for this loan.

And for the same reasons as loan one, the Sequestration has no bearing on the information that Moses has reported because it was entered into after this loan had been repaid.

This loan was closed in February 2017, so the record will be deleted shortly after February 2023.

### **Loan three**

Loan three, is the loan where Mr H had significant repayment problems and then entered into a Sequestration (which is similar to a bankruptcy in England) in March 2019. I've therefore considered whether the information Morses has reported on Mr H's credit file, is reflective of this.

Mr H had some repayment problems leading up to the Sequestration being granted, and I can see in the loan history that there is recognition that payments were missed: this is accurate, and therefore should be reported.

Looking at the loan record, on Mr H's full credit report (which he provided), I can see that the start and end date for this loan are correct. The record has been reported as being defaulted from 22 March 2019 – which seems to coincide with the Sequestration date and the report is showing a defaulted balance of £50. Morses has also reported the default is now satisfied with a zero balance.

To consider if this is correct, I've taken a look at the ICO guidance I mentioned when discussing loans one and two.

It is worth noting at this point, that in the ICO guidance there's no explicit statement on how defaults should reflect on the credit file of a debtor in or a completed Sequestration. But, given its equivalence to bankruptcy in England, I think it would be fair to consider what the guidance says about what should show on a credit report following a bankruptcy. This information can be found in part five of the guidance. The ICO says:

***5. When an account is closed, the record should properly reflect the closing payment status of the account and any agreement between the parties***

*If you make a full or part payment and no further money is expected, the account should be closed unless you have agreed with your provider to continue your relationship. If the account is to be closed, your record should be marked as fully paid if:*

- *You have paid the money owed in full*
- *A CCJ or decree was granted and you have paid in full the money owed as determined by the court*

*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*
- *Your account is included in an insolvency such as a bankruptcy or IVA which is discharged / completed and less than the full amount is paid*

*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.*

As I've said above, Mr H's account is marked as being satisfied, and closed with a zero balance. This reporting is in line with what the ICO expects. The ICO also makes it clear the record will remain on the credit file for six years from the date of closure, which in this case was March 2019 so the record will drop off the credit file in 2025.

I haven't seen anything in the ICO guidance to suggest the ending of the Sequestration leads to the record being removed or deleted from the credit file.

On Mr H's credit report, it does show that Morses made an update to the record in November 2020. I don't know what this update was and it could be connected to when Mr H raised his complaint with Morses.

But it doesn't change or amend the default date as prescribed by the ICO. The record will still be deleted six years after the default was applied, so it's likely the record will be removed from Mr H's credit file from around March 2025. The update Morses made, doesn't change this date.

On one screen shot from a different credit file provider to the one that Mr H has supplied his full file for, the final loan shows a starting balance of £450. This doesn't reflect either the credit advanced - £300 or the total amount that Mr H was due to repay (including the interest) of £495.

Morses has suggested the starting balance showing £450 is because Mr H had already made some repayments towards the loan by the time the loan was reporting to the credit reference agencies.

I do agree, this amount isn't correct although Morses explanation does appear to fit the circumstances. But, I can't see any material detriment being caused to Mr H. It is only the starting balance, and the later information would be having a greater impact on his credit score than a slightly smaller starting loan balance. So, I'm still not intending to ask Morses to do anything to put things right for Mr H.

Overall, I'm not upholding Mr H's complaint. I appreciate he will be disappointed by the outcome I've reached but I hope my explanation has been helpful in explaining why I've reached the decision that I have.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 March 2022.

Robert Walker  
**Ombudsman**