

The complaint

Mr H complains that Provident Personal Credit Limited trading as Provident (Provident) has reported missed payment markers to the credit reference agencies which he says are inaccurate.

What happened

The inaccurate information Mr H says is being reported on his credit file, is connected with two loans granted by Provident. A summary of those loans can be found in the table below. The loan number doesn't relate to the number that loan was in the lending relationship.

loan	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
1	£900.00	06/06/2014	08/04/2016	84	£21.60
2	£1,500.00	06/06/2014	18/11/2016	110	£30.00

Looking at the above table, considering the intended term and how long the loans ran for you would expect there to be some adverse payment information reported to the credit reference agencies because it took Mr H longer to repay these loans than Provident anticipated.

Mr H complained to Provident in January 2022 saying the information that it had recorded about the two loans above showed he'd missed "12 months" of consecutive payments on one loan and three months on the other. In order to put things right, he asked for the information to be removed.

Looking at the information Mr H has provided, his credit file shows the following about the two loans. The number after the month denotes how many months in arrears the loan has been recorded.

Loan 1

- February 2016 – '2'
- March 2016 – '1'

What the above information shows is that by February 2016 Mr H had missed a sufficient number of weekly repayments to put the account at least two months in arrears. Before, reducing the arrears in the March 2016 and then the account was closed.

Loan 2

- January 2016 – August 2016 – '3'
- September 2016 – '2'
- October 2016 - '1'

For this loan, it shows that between January 2016 – August 2016 Mr H was at least three

months in arrears. But as the arrears didn't continue to go up, for example to '4'. This would indicate that Mr H was on top of his repayments because the arrears weren't increasing. And he also wasn't making overpayments because the arrears don't appear to have decreased either. So, his arrears weren't getting worse but neither was any headway being made to repay them.

During this time Provident also recorded that Mr H's balances were decreasing.

On 18 January 2022, Provident wrote to Mr H outlining that as payments had been missed while repaying these loans it was entitled to report this information with the credit reference agencies (CRA). It also explained that as the missed payments hadn't been brought up to date, the arrears would continue to be reported to the CRAs even if other payments had been made.

Unhappy with this response, Mr H referred his complaint to the Financial Ombudsman Service.

Our adjudicator considered the complaint and didn't uphold it. He said he could see both loans were repaid late, and so he would expect some adverse payment information to have been recorded. He thought the information recorded by Provident with the CRAs was an accurate reflection of how the loans had been managed.

Mr H didn't agree with the adjudicator's assessment. In response he said.

- He provided a link to a third-party website which explained how the arrears should be reported.
- Mr H says that after two months or more in arrears then this will trigger a default notice – which he never received.
- For the account to be 10 months in arrears that would've resulted in over 40 missed weekly repayments and a default.
- From the statement of accounts there aren't two consecutive missed payments.
- Some weeks Mr H made additional payments, so he doesn't think the reporting procedure to the CRAs has been followed.

Following his assessment, the adjudicator asked some further questions of Provident who confirmed the following;

- By the last week of 2015 Mr H was around £47 in arrears.
- Provident showed some weeks in 2016 payments weren't made such as week 24 and 25 of the year.
- Evidence provided confirmed that both loans in the table above were repaid later than the contractual due date.
- Provident does say that the reporting improved at the end of 2016 for the loan, it doesn't know why and says this may be incorrect.

The adjudicator went back to Mr H to explain that he still felt his original assessment remained correct. In his view, the information Provident is reporting to the CRAs is accurate. Although, he did accept, that he wasn't sure why the arrears were removed at the end of 2016 because Provident couldn't say. But he wasn't going to ask Provident to do anymore because this could mean further adverse information is reported to the CRAs.

Mr H unhappy with the outcome asked for an ombudsman to consider the complaint – but he did provide some further comments at this time. I've summarised these below.

- Provident should be reporting accurate account history to the CRAs.
- Provident should adjust the way it reports to the CRAs in order to reflect accurately how the account has been repaid.
- If weekly repayments – which Mr H was making do not fall within the monthly reporting by the CRAs than Provident ought to have adapted its credit reporting procedure.

Mr H then provided further information about a refund Provident had agreed to pay following a complaint made to its Scheme of Arrangement.

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.

Scheme of Arrangement

Mr H has provided the Financial Ombudsman Service with copies of letters he has recently received from Provident.

It is worth noting here that Provident entered into a Scheme of Arrangement (with the agreements of the Courts). This scheme was created to deal with unaffordable lending complaint.

The first letter he sent to us, dated 26 April 2022 shows the outcome of Mr H's claim he submitted through the Scheme of Arrangement. This provided a list of loans which following his unaffordable lending complaint the Scheme had upheld.

However, later Mr H told us that he appealed this outcome with the independent adjudicator – which is part of the formal appeals process built into the Scheme of Arrangement.

Mr H says that he then received another letter from Provident on 1 July 2022 with a new compensation offer. Mr H then says that a letter was received dated 3 July 2022 from "*your appeals partner*". To be clear the Scheme of Arrangement and any appeal made under the scheme is a completely separate and is an independent process that does not involve the Financial Ombudsman Service in any way.

The adjudicator pointed out to Mr H that as his loans have been upheld as part of the Scheme of Arrangement, Provident would also update his credit file accordingly. So, she suggested, that in effect this complaint may be resolved. However, Mr H asked for his complaint to remain open, and to have a decision.

This decision will only be focussing on whether Provident was right or wrong to apply the adverse payment markers. This was also the subject matter of the final response letter forwarded to us and what the complaint form that Mr H completed dealt with.

I make no finding about any unaffordable lending because that is for the Scheme of Arrangement to decide. I know Mr H is unhappy and wants to appeal the settlement that has been agreed. But as the Scheme of Arrangement was set up in the Courts and is independent of the Financial Ombudsman Service, we are unable to become involved in any discussions about the redress that has been proposed.

If Mr H is unhappy with any aspect of the Scheme, he may want to seek independent advice as to what his next steps may or may not be.

Adverse credit file data

As I have said above, I am just looking at whether the adverse information reported is an accurate reflection of the conduct of the loan accounts. These findings are also independent and separate to any claim that Mr H has made through Provident's Scheme of Arrangement.

It is also worth adding here, that as the first loan in the table above was closed in April 2016 – which is now more than six year ago, this loan should no longer be showing on Mr H's credit file.

Due to the situation with Provident some evidence that we may have wanted to see, is no longer available and won't be available for consideration. So, I've had to base my findings on what evidence has been presented by both parties as well as what I think is most likely to have happen.

As I've said above, it's clear from the loan table it took Mr H longer than the contracted term for both loans to be repaid. For example, for the second loan, this was meant to have been repaid within 104 weeks or two years. However, as you can see by the closure date it took longer to repay.

Given the additional time to settle the loan this would indicate that Mr H must have either missed repayments or had a period where he was making reduced payments. I would therefore expect there to be some adverse information reported to the CRAs about both of these loans.

To start with, it is worth considering what the Information Commissioner's Office (ICO) says about reporting arrears to the credit file. The ICO is the body created which deals with an individual's data, and it has released a document called "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*". It is entirely reasonable to rely on this, because when determining a complaint, amongst other things, I am required to take into account good industry practice and in my view, these principles constitutes good industry practice in this area.

Part, of principle one which is relevant here is;

Whilst most credit products are repaid monthly, some are not, such as home credit(1). In these cases, the information will be adapted to meet the monthly reporting standards of the credit reference industry.

The foot note (1) says;

Home collected credit includes informal flexibility as standard to help debtors cope with unexpected budget pressures. In effect, the home credit agent can - during the weekly home visit - agree missed or part payments on the spot (normally at no extra cost). These informal variations are not themselves reported. However, when the debtor has - in aggregate - missed to the value of 4.33 weekly repayments (equivalent to one month's arrears), that is reported (as arrears). Only the larger home credit companies use the reporting agencies.

So, the ICO has put clear guidance in place, for home credit providers as to how and when arrears can be reported. It says, that until 4.33 weekly payments are missed no arrears will

be reported with the CRAs. This as the guidance says deals with the flexibility that home credit providers give.

While I understand Mr H's frustration about how arrears are reported to the CRAs, the ICO has set out guidance for home credit providers as to how arrears should be reported. Thinking about the above guidance, I've not seen anything to make me think that adverse information wasn't reported to the CRAs in line with this guidance.

What this does mean, in a hypothetical situation could be that Mr H could miss one payment a month and only have a '1' recorded with the CRAs after month five. But what that wouldn't mean, is that Mr H had missed a whole month of payments in the fifth month. But an accumulation of missed weekly repayments, will eventually lead to adverse credit file data being reported.

Principle two says;

Reporting of arrears over time

Arrears should generally only increase by one month at a time e.g. status code 1 to 2, 2 to 3 etc. There can be exceptions to this such as fraud, bankruptcy, county court judgments (CCJs), returned cheques or direct debits. In the event that repayments are made and the arrears reduce, the change in arrears status should be recorded in the next monthly update.

So again, the ICO makes it clear that arrears will continue to be recorded depending on what happens with the repayments. And should arrears be caught up over a period of time, then it's entirely possible for arrears to reduce and therefore the status codes reduce.

I've thought about what the ICO says overall, and specially with the quotes above, as well as what I can see in Mr H's credit file.

Firstly, I've considered the statement of account which Provident has provided for both loans in questions. I can see, from each statement of account that there are a number of missed weekly repayments. For example, Mr H misses his first weekly repayment for both loans in the middle of June 2014. In line with the ICO guidance, this shouldn't have been reported to the CRAs as arrears because at this time Mr H's account wasn't 4.33 weeks in arrears.

It also seems from the statement of account that Mr H was paying 40 pence a week more for loan one, than the contract, this would've of course, over time mitigated any missed payments he had. This may explain why this account wasn't in as many months of arrears as loan two.

For loan one, I can see a number of missed payments some in consecutive weeks others at sporadic points throughout the repayment of the loan. The same sort of pattern can be seen for loan two as well. Indeed, if you look at the statement of account for the second loan, there is, according to Provident, 22 occasions when Mr H was due to make a payment and didn't. But this is spread out over a period of two years.

Therefore, I would have expected there to have been adverse payment information reported – which is what Provident has done. Overall, I think the reporting of the adverse credit file data is an accurate summary of the way that Mr H repaid his loan accounts.

I've considered what Mr H says about the account showing that there is 40 weeks of arrears, and I don't agree with this. For loan two, Provident has reported that at most the account was at least three months in arrears but less than four months in arrears and we already

know, from the ICO guidance that one-month arrears is equal to 4.33 weeks of arrears. So, I don't agree that either loan account had at least 40 weeks of arrears.

What Provident has reported, is the account was in arrears and took longer to repay than the contracted term. Both of which we know to be the case from the statement of account. Therefore, I consider it fair and reasonable that Provident records this on Mr H's credit file.

Mr H has said that given loan two was three months in arrears he could've been defaulted- but this didn't happen as no notice was received. I've certainly thought about that. But, the ICO guidance around reporting of defaults says an account *may* be defaulted once it is three months of arrears. But there are also other factors to consider – such as whether Provident considered that the relationship had broken down.

Given the repayment history I'd struggle to argue this was the case, given that Mr H did regularly make his repayments and there is nothing to suggest that Mr H told Provident he was having financial difficulties was refusing to pay.

However, in this case, I do think *not* reporting or instigating a default was the correct course of action to take. And any default that may have been reported would've likely had a significantly greater impact on Mr H's credit score than the arrears that it has reported.

Thinking about the conduct of the accounts, I am not upholding Mr H's complaint and Provident doesn't have to make any adjustments to his credit file because what it has reported is an accurate reflection of the conduct of the account.

However, as I've said above loan 1 should now be removed from the credit file due to it being close more than six years ago. Loan 2 will be removed from his credit file at the end of 2022. Of course, Provident may make adjustments before that date depending on the result of Mr H's claim through the Scheme of Arrangement which is an independent process looking at a different complaint to what I have considered.

I appreciate Mr H will be disappointed by the outcome, but I hope my explanation has been helpful in explaining why I have come to the decision that I have.

My final decision

For the reasons I've explained above, 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 9 September 2022.

Robert Walker
Ombudsman