

The complaint

Miss O complains that Specialist Motor Finance Limited (“SMFL”) has caused her credit rating to worsen when it incorrectly applied missed payment markers to her file. She wants the entries removing and would like to be compensated for the distress it’s caused.

What happened

Miss O entered into a hire purchase agreement with SMFL in June 2022. The agreement was for five years, and Miss O would make 59 monthly payments of £526.70, and a final payment of £536.70. Miss O says she notified SMFL in April 2023 that, for reasons known to all parties, she’d not be able to make her monthly payments for a short period of time.

Miss O said:

- when she returned to work, she contacted SMFL to make her payments, but it simply applied missed payment markers to her file, and this affected her credit rating including her insurance premiums;
- she receives a *‘barrage of harassing emails, calls and non-stop texts’* everyday asking her to make her payments, despite having already made her payments;
- SMFL has incorrectly reported the state of her account – she’s been making payments on time every month since her return to work, and she has been making an additional payment of £173.88 to bring her account up to date.

SMFL rejected this complaint. It said whenever there’s an overdue or missed payment, it reports it as such. And it explained that even if Miss O were to subsequently make her full monthly repayment, her credit file would show that the account was still in arrears because of the missing payment, and it would remain so until all missing payments have been made and the account has brought up to date.

SMFL explained the *status codes* on the credit reference agency reporting. It said that Miss O had late and missed payments and her credit file reflected this. It confirmed her arrears and said it had set up an arrangement to assist with repayment of the arrears, and it confirmed that once the arrears have been repaid, Miss O’s credit file would report as being up to date.

SMFL said it had told Miss O that missed payments would affect her credit file and it was legally obliged to report how she’d managed her account.

SMFL apologised for the level of contact that Miss O had received and any distress it had caused. But it did say it had a duty to ensure that its customers received sufficient information to help them manage their accounts. And as a gesture of goodwill, it said it had removed all the arrears fees from Miss O’s account.

Our investigator looked at this complaint and said she didn’t think it should be upheld. She explained that missed payments were reflected in Miss O’s credit report, and that in the

absence of an agreed payment holiday, the missed payments were accurately recorded with missed payment markers.

Our investigator said that although Miss O had made her subsequent monthly payments, and more recently made additional payments to gradually reduce her arrears, her credit report would reflect '*missed payments*' until such time as the account was brought up to date. In other words, a missed payment mark wasn't only applicable for the month in which a payment was missed. And she confirmed that under industry guidance, financial businesses – in this case SMFL – have an obligation to factually report an accurate position in respect of customer accounts to the Credit Reference Agencies.

Miss O disagrees so the complaint comes to me to decide. She says SMFL cannot report inaccurate information to her credit file. And she contracted SMFL's actions with those of other lenders and how they'd reported arrears and missed payments.

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 hope that Miss O won't take it as a discourtesy that I've condensed her complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of her complaint. Our rules allow me to do that. Miss O should note, however, that although I may not address each individual point that she's raised, I have given careful consideration to all of her submissions before arriving at my decision.

Having considered all the evidence, I've reached the same conclusion as our investigator and for broadly the same reasons, and I'll explain why.

First of all, Miss O comments that other lenders dealt with her missed payments and arrears differently to the way in which SMFL did. But I'm not looking at the actions of any other financial business. I'm only considering SMFL's actions and what it reported, so I won't be commenting on what other businesses may or may not have done. And it's worth noting that there's no uniform way of reporting these things, it's simply done via data transfer on a regular basis.

Next, SMFL is obliged to accurately report details of Miss O's account to the credit reference agencies. So, I can't ask it to amend the credit file because I don't think it's done anything wrong.

I think that some of the mis-understanding about what payments have been made, and what payments have been missed arises from the confusing way in which SMFL set this out in its *Final Response Letter*. To address this, I've set out the same information in a more logical way below.

| <u>Date</u> | <u>Transaction</u> | <u>DR</u> | <u>CR</u> | <u>Balance</u> |
|--------------|-----------------------|------------|-----------|----------------|
| 15 June 2022 | ADVANCE | £21,000.00 | | £21,000.00 |
| 15 June 2022 | Fee | £10.00 | | £21,010.00 |
| 15 June 2022 | Interest | £10,602.00 | | £31,612.00 |
| 21 July 2022 | Direct Debit | | -£526.70 | £31,085.30 |
| 22 July 2022 | Direct Debit returned | £526.70 | | £31,612.00 |
| 22 July 2022 | DD Return Fee | £12.00 | | £31,624.00 |

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|--------------------------|-----------------------|---------|-----------------|------------|
| 22 July 2022 | Payment | | -£526.70 | £31,097.30 |
| 22 August 2022 | Fee Reversal | | -£12.00 | £31,085.30 |
| 22 August 2022 | Payment | | -£526.70 | £30,558.60 |
| 28 September 2022 | Direct Debit | | -£526.70 | £30,031.90 |
| 29 September 2022 | Direct Debit returned | £526.70 | | £30,558.60 |
| 29 September 2022 | DD Return Fee | £12.00 | | £30,570.60 |
| 28 October 2022 | Direct Debit | | -£526.70 | £30,043.90 |
| 30 October 2022 | Payment | | -£526.70 | £29,517.20 |
| 31 October 2022 | Direct Debit returned | £526.70 | | £30,043.90 |
| 31 October 2022 | DD Return Fee | £12.00 | | £30,055.90 |
| 31 October 2022 | Fee Reversal | | -£12.00 | £30,043.90 |
| 10 November 2022 | Payment | | -£300.00 | £29,743.90 |
| 15 November 2022 | Payment | | -£116.70 | £29,627.20 |
| 18 November 2022 | Payment | | -£110.00 | £29,517.20 |
| 28 November 2022 | Direct Debit | | -£526.70 | £28,990.50 |
| 29 November 2022 | Direct Debit returned | £526.70 | | £29,517.20 |
| 29 November 2022 | DD Return Fee | £12.00 | | £29,529.20 |
| 28 December 2022 | Direct Debit | | -£526.70 | £29,002.50 |
| 29 December 2022 | Direct Debit returned | £526.70 | | £29,529.20 |
| 29 December 2022 | DD Return Fee | £12.00 | | £29,541.20 |
| 30 January 2023 | Direct Debit | | -£526.70 | £29,014.50 |
| 10 February 2023 | Fee Reversal | | -£36.00 | £28,978.50 |
| 28 February 2023 | Direct Debit | | -£526.70 | £28,451.80 |
| 28 February 2023 | Payment | | -£263.35 | £28,188.45 |
| 31 March 2023 | Direct Debit | | -£790.05 | £27,398.40 |
| 03 April 2023 | Direct Debit returned | £790.05 | | £28,188.45 |
| 03 April 2023 | DD Return Fee | £12.00 | | £28,200.45 |
| 03 May 2023 | Payment | | -£576.26 | £27,624.19 |
| 31 May 2023 | Direct Debit | | -£526.70 | £27,097.49 |
| 12 June 2023 | Payment | | -£50.00 | £27,047.49 |
| 30 June 2023 | Direct Debit | | -£526.70 | £26,520.79 |
| 30 June 2023 | Payment | | -£526.70 | £25,994.09 |
| 03 July 2023 | Direct Debit returned | £526.70 | | £26,520.79 |
| 03 July 2023 | DD Return Fee | £12.00 | | £26,532.79 |
| 31 July 2023 | Direct Debit | | -£526.70 | £26,006.09 |
| 07 August 2023 | Payment | | -£173.88 | £25,832.21 |
| 31 August 2023 | Direct Debit | | -£526.70 | £25,305.51 |
| 06 September 2023 | Payment | | -£173.88 | £25,131.63 |
| 29 September 2023 | Direct Debit | | -£526.70 | £24,604.93 |
| 16 October 2023 | Payment | | -£173.88 | £24,431.05 |
| 31 October 2023 | Direct Debit | | -£526.70 | £23,904.35 |
| 23 November 2023 | Payment | | -£173.88 | £23,730.47 |
| 30 November 2023 | Direct Debit | | -£526.70 | £23,203.77 |
| 22 December 2023 | Fee Refund | | -£24.00 | £23,179.77 |
| 28 December 2023 | Payment | | -£173.88 | £23,005.89 |
| 29 December 2023 | Direct Debit | | -£526.70 | £22,479.19 |
| 30 December 2023 | Payment | | -£173.88 | £22,305.31 |

This list of transactions from June 2022 to December 2023 details:

- payments made by Direct Debit;
- Direct Debits that were returned to Miss O's bank;
- other payments that were made by Miss O;
- fees that were charges; and,
- fees that were cancelled.

The credits in **bold** are the only ones that were credited to the account in full.

This listing shows that the Direct Debit failed to collect and credit the account on 22 July 2022; 29 September 2022; 31 October 2022; 29 November 2022; 29 December 2022; 3 April 2023; and 3 July 2023.

And although other payments were made in respect of these failed Direct Debits, I can see no evidence of a monthly payment being made for September 2022 or December 2022.

And although payments are made on 28 February 2023 (£263.35) and 31 March 2023 (£790.05), this latter payment ultimately fails and is returned. As a result, an amount equal to only half of March's payment is received.

In terms of credit reporting, SMFL has correctly reported that the account is missing the payment for September 2022. So, at this time Miss O's account has one missing payment. Although a payment is received on 30 October 2022, the account is still missing one payment, so it's correct that SMFL reports that the account still has a missed payment on it.

In November, three cash payments are made to the account totalling £526.70, and this pays off the arrears from September 2022. But no payment is received for November 2022 or December 2022 – the Direct Debit for both months is rejected. So, any reporting shows one missed payment for November 2022 and another missed payment for December 2022. At the end of the year, the account has two missed payments. And, although Miss O makes payments on 30 January 2023 and 28 February 2023, the account is still missing two payments.

At the end of February 2023, a half payment is received - £263.35, but no further payments are credited to the account in March 2023, so the account, by my calculations is now missing 2.5 monthly payments, and this should be reflected in any reporting to the Credit Reference Agencies.

A payment is received in early May 2023 (I assume for April 2023), and then again later in May 2023 and every month thereafter until the end of the year. An extra £50 is also paid in May 2023, and again in June 2023. And then additional payments of £173.88 are made each month from 7 August 2023. This means that the arrears are being cleared more and more each month.

Taking everything into account, the arrears on this account over the period I've reviewed exceed one monthly payment - £526.70 – from the date of that first missing payment in September 2022 to the payment received on 30 November 2023. Because of this, SMFL is right to report missed payments on the account *each and every month*. So, I can't ask it to amend the credit file because I don't think it's done anything wrong. And it's refunded all the £12 fees, and I don't think it needs to do anything more.

I've noted Miss O's concerns that her credit rating has been affected. she says it's going to have an effect on her ability to secure other lending. Miss O might be interested to know that she can place a 'Notice of Correction' on her credit records. The purpose of such a notice is to allow someone the opportunity, in this case Miss O, to add any explanatory circumstances that they would like prospective lenders to take into consideration when making lending decisions. And if she wishes to do this, Miss O should contact the credit reference agencies herself.

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 Miss O to accept or reject my decision before 12 December 2024.

Andrew Macnamara
Ombudsman