

The complaint

Mr W is unhappy that Scottish Widows Limited (Scottish Widows) incorrectly updated his address details in 2015.

What happened

Mr W has a pension with Scottish Widows. In April 2015 Scottish Widows received information internally from the banking arm of the firm to action a change of address for another consumer. The other consumer had the same surname and date of birth as Mr W. Scottish Widows changed Mr W's address, linking him to the other consumer's credit accounts.

In 2022 Mr W was having some building work carried out on his home. He says his intention was to fund this with half of the money coming from savings (£50,000) and half coming from loans (a mortgage of £50,000) and in addition, an interest free loan for the kitchen of around £16,000.

Mr W says he wanted to borrow £50,000 against his residential home. I've not seen any evidence that Mr W initially asked to borrow £50,000, Mr W contacted a lender who provided an illustration in the sum of £45,000 dated 31 August 2022.

A deposit to a kitchen firm was paid by Mr W on 7 September 2022.

The lender told him around 9 September 2022 that they had found undeclared debts on his credit file and so they were not able to offer him the amount requested. Mr W contacted the credit reference agencies – TransUnion, Experian and Equifax on the same day. Mr W also wrote to TransUnion on the same day to let them know which information was incorrect, and he raised queries with the other credit agencies.

The mortgage lender said that £44,400 could be borrowed but over a longer term than Mr W had requested, or £42,200 at the original term requested. Mr W went ahead with the lower amount and an offer was issued on 14 September 2022.

On 22 September 2022 Experian explained that the incorrect address had been added by a Lloyds Banking Group (Lloyds) subsidiary, that was not Scottish Widows, and that they had got in touch with Lloyds to ask if the address could be removed. On 23 September 2022 Experian let Mr W know that Lloyds had told them the address was correct and so it could not be removed from his credit file. Mr W did not have an account with the subsidiary of Lloyds, he has said they therefore wouldn't speak to him or assist him.

Mr W raised a complaint with Scottish Widows on 23 September 2022 about the error they had made. He wanted them to rectify the error and compensate him for the subsequent losses he had suffered.

In addition, Mr W contacted Experian about a number of accounts which were showing on his credit file, with firms which he did not have accounts with. Each firm responded to Experian to say the information within Mr W's credit file was accurate and he would need to

contact the firms directly if he was not happy with the response. A number of these firms were also a subsidiary of Lloyds.

Scottish Widows issued a final response on 25 November 2022. They said they had corrected the error on Mr W's account with them and offered £200 compensation by way of an apology for the error and their delay in communicating with Mr W.

Within communications with Scottish Widows Mr W explained that following acceptance of the lower mortgage amount he was then refused credit for the kitchen and had to borrow funds with a private arrangement and sell his car to raise further funds.

He placed an advertisement to sell his car on 17 July 2022, the car sold on 10 September 2022. On 25 September 2022 Mr W received funds from a private loan arrangement in the sum of £12,500 repayable over three years with £1,000 interest added making the full amount payable £13,500.

Scottish Widows issued a second final response on 25 September 2023, they offered an additional £200 compensation but said they wouldn't compensate for any perceived financial losses due to the error because Mr W had not taken steps to correct the error prior to making the financial decisions that he did in February 2022.

We requested Scottish Widows' file and upon sending their file of papers, Scottish Widows increased their offer of compensation by £300, to make it a total of £700.

A senior investigator provided their assessment of Mr W's complaint. They said the issue to decide was what Scottish Widows' should do to put things right as they were in agreement that they caused the initial error. The senior investigator suggested the compensation should be increased to £1,000, to reflect the prolonged distress and inconvenience sorting out his credit file had caused Mr W and for the delays in Scottish Widows' communication. The senior investigator also asked Scottish Widows to provide evidence that they had corrected the errors caused to Mr W's credit file. The senior investigator didn't award any financial losses as they said they'd need to see evidence that the error on Mr W's credit file was the only reason why he had been declined the mortgage and credit with the kitchen provider.

Scottish Widows agreed with the assessment and asked for evidence of which information was still incorrect within Mr W's credit file in order for them to contact the relevant firms for this to be rectified.

Mr W didn't agree with the assessment, he said, in summary:

- Data protection - The data leak has caused significant distress – he could see all of someone else's data and accounts and so the other consumer could probably also see his information.
- Consequential losses
 - o He had to pay to obtain all three credit reports and monitor them which has cost him in monthly subscription fees.
 - o Due to the stress at the time of finding out his credit file had been linked to another person he did not think to obtain evidence from the credit providers to state the exact reason why credit was declined.

The senior investigator passed Mr W's concerns to Scottish Widows who offered to reimburse the costs he had incurred for one of the three credit providers. But they said they wouldn't reimburse the cost of all three as they would hold the same information. The investigator let Mr W know of this offer and explained that the credit reports could be

accessed for free. Mr W remained unhappy and so he asked for an ombudsman to review his complaint.

The complaint 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.

Having done so I am partially upholding Mr W's complaint, I will go on to explain why.

There is no dispute that Scottish Widows caused an error on Mr W's credit file – in 2015 they incorrectly added someone else's details to his pension. This linked Mr W to an incorrect address and an unknown third party. So another party's credit information became interlinked and visible to Mr W. In addition, another unknown third party was also linked to Mr W due to this error – it seems likely that this was the unknown third party's partner. And it's likely these third parties had visibility of Mr W's accounts too. Though I haven't seen any evidence that this was the case.

This error was not detected by Scottish Widows until Mr W realised and raised it with them in September 2022. Scottish Widows accepts that this error was caused by them and they offered £700 by way of an apology to Mr W, agreeing to increase this to a total of £1,000 following the senior investigator's view. They also offered to cover the cost Mr W incurred accessing one of the credit agencies reports.

I am in agreement with Mr W that the error caused has meant that he has suffered significant distress and inconvenience from when he realised this had happened, in September 2022 until the present day as he has explained there are still errors within his credit reports.

I have considered everything that Mr W has told us about the impact the error has caused him. This includes the length of time this has been ongoing, the amount of communication Mr W has been engaged in and the impact of realising that someone else may be able to see Mr W's accounts.

It was not correct for Scottish Widows to comment that Mr W didn't do anything to rectify the issue when it was discovered. It is clear from the correspondence he has provided to this service that he did act as soon as he realised there was an issue on 9 September 2022.

Scottish Widows were informed of the error by Mr W on 23 September 2022 – but they didn't take action to rectify the external impact this error had caused Mr W until recently and Mr W still has accounts showing within his credit file which are not his. It wasn't enough for Scottish Widows to simply rectify the internal error, by September 2022 Mr W's credit file had been entwined with another person's credit file and Scottish Widows ought to have taken action to rectify this as well.

Having considered the impact on Mr W, I'm satisfied that £1,000 compensation is fair and reasonable. This is an amount I would award when a consumer has been caused significant distress which has disrupted their daily life over a number of months, which is the case for Mr W.

Mr W has complained about other impacts that he says he suffered due to this error. I will comment on each separately.

Data protection

Mr W has mentioned that there has been a data breach – whilst I can consider the impact of the error Scottish Widows have made, as I have done when considering the level of compensation to award, if Mr W wishes to complain about the way they have handled his data he can raise a complaint with the information commissioner's office (ICO). The ICO don't award compensation – but they can consider if Scottish Widows have broken data protection law when handling Mr W's data.

It's not our role to punish a business, and I have seen no evidence that a third party has actually viewed Mr W's information. Or that he has suffered any additional losses due to another party accessing his information.

Additional consequential losses

Mr W has explained he feels he has suffered financial losses due to the error Scottish Widows made. We are an evidence-based service – but I have also taken into account Mr W's testimony and thought about the situation that he found himself in, in February 2022.

Mr W set his financial losses out as:

- Subscription costs for Equifax at £14.95 per month and Experian at £14.99 per month.
- £5,000 loss in car value which had to be sold in haste.
- £16,000 loss of interest free loan for the purchase of a kitchen.
- £8,000 lost mortgage offer.
- £1,000 interest cost on private loan taken out instead of the above-mentioned interest free loan.

I have not seen any evidence of the building work Mr W says he was undertaking – for example a schedule of payments or evidence of monthly payments being made to a building firm. But, I don't think it was sensible for Mr W to have committed to such works prior to being approved for credit if he knew he would not be able to complete the works without it. Mr W has explained that he was worried about supporting his family, there are lots of factors that lenders take into consideration when deciding whether or not to provide credit and there is no guarantee he would have been able to raise the funds. So, I think it was very risky of Mr W to put himself into a situation where he would need to rely on a finance application to move things forward.

Mr W has said that he intended on funding 50% of the works with savings of £50,000, a £50,000 mortgage and £16,000 on a 0% interest loan in order to purchase the kitchen. I also note from the evidence I have been provided that Mr W was first made aware that something was wrong with his credit file when the mortgage lender told him to check them on 9 September 2022 as they had identified some undeclared accounts.

Subscription costs

Everyone is entitled to their full statutory credit reports free of charge, they can be requested from each of the three credit agencies directly. The statutory report shows an individual's full credit history including all account history, linked individuals and addresses. So, Mr W could have requested his statutory reports for free. In addition, there are a number of free online accounts which provide free online access to both TransUnion (MoneySavingsExpert Credit Club) and Equifax (Clearscore).

So, whilst I disagree with Scottish Widows' suggestion that all three credit agencies hold the same information. Mr W did not need to sign up for a subscription service in order to access them. He could have accessed them for free. Scottish Widows have offered to reimburse one of the subscriptions Mr W signed up to. I think this is a fair offer considering Mr W would likely have wanted to access his credit file in haste initially. I'm not asking them to award any other subscription fees as set out above they are accessible for free.

Car value

Mr W advertised his car for sale in July 2022 and sold it on 10 September 2022 – just one day after he had realised there were some errors on his credit file. So, I don't agree that he made the decision to sell his car because of the error that Scottish Widows had made. He was most likely already intending on selling it and on 10 September 2022 when he did sell it, he didn't have the full information about the error or how it may affect him. And he knew that the mortgage he had requested would still be possible, albeit at a reduced amount. I've not been provided with any evidence that Mr W did suffer a loss when selling his car. But in any case, even if there was a loss incurred, for the reasons set out above I wouldn't ask Scottish Widows to pay any such losses to Mr W.

Loan for the kitchen

Mr W has said he intended on taking out a 0% loan to purchase a kitchen which cost around £16,000. But, he was refused this credit due to the error Scottish Widows have caused. Mr W paid a deposit for the kitchen on 7 September 2022. I haven't been provided with the credit application or any correspondence Mr W received to show the application was rejected.

I note that Mr W has said he was not in the right frame of mind to keep documentation at the time. But, in addition to the lack of evidence of the application, from the credit file information Mr W has provided to this service I can't see that any lender carried out a credit check around this time. Which they would have needed to do in order to obtain information from Mr W's credit file about the incorrect accounts – if that was the reason the loan was declined. As such, I'm not asking Scottish Widows to compensate any loss that may have been associated with this loan.

Mortgage offer

I've not seen any evidence that Mr W asked initially to borrow £50,000 against his home. I can see from the evidence provided that the error Scottish Widows caused to Mr W's credit file was the cause of the reduction of the offer from the lender from £45,000 to £42,200 over the term he had requested. So, there appears to have been a short fall of £2,800 that he needed to make up. Or £7,800 if he intended on borrowing £50,000.

Based on what Mr W has told this service, and the evidence that has been provided, the work being carried out to his home was going to cost him £100,000 plus £16,000 for the kitchen. He said that he had £50,000 of this in savings. As set out above I think it's most likely that his intention was always to sell his car. He sold his car for £21,000 and took a mortgage out in the sum of £42,200. So, he had £113,200 of the £116,000 needed to complete the works leaving him £2,800 short.

He borrowed £12,500 privately and £1,000 interest was added in total over a three year term – which is a rate of around 2.7% simple interest per annum on the assumption that the loan is paid off in full after three years. Had he been able to borrow additional funds from the mortgage lender he would have paid 3.39% per annum on the additional £2,800, as set out in the mortgage offer. As such, whilst I appreciate it will have been frustrating for Mr W to

need to arrange alternative finance – which I have taken into account when considering the compensation award amount, he has not been negatively impacted financially by moving to a different source of funds.

I have found that based on the evidence provided and Mr W's testimony that there has been no consequential losses. Even if there had been, I would have been unlikely to award them. That's because I don't think it was sensible for Mr W to have gone ahead with works that he required funding for from a lender, until he had secured the lending.

Summary

Scottish Widows caused an error on Mr W's credit file which they did not realise for several years. Upon realising they did not act quickly in order to reduce the impact on him. Mr W had to chase them and multiple other companies over a number of months to get to the bottom of the issue. It wasn't until recently that Scottish Widows reached out to the credit reference agencies to try and resolve the error outside of their internal systems. Mr W was in the process of trying to obtain credit and had to change his plans, which I appreciate added to the stress that this error caused him. It is for these reasons that I am suggesting Scottish Widows pay Mr W £1,000 total compensation.

I have considered the consequential losses that Mr W has told us about, but I don't think he has suffered any financial losses directly due to the errors that Scottish Widows made. From the dates provided it's most likely that Mr W was always going to sell his car, and he was only short £2,800 of the funds he said he needed to complete the works to his home. That seems to have come from a private loan arrangement which was on a better basis than the mortgage rate he would have been paying to the mortgage lender, but for Scottish Widows' error.

Putting things right

In order to resolve Mr W's complaint, Scottish Widows should pay a total of £1,000 compensation, if it has not already been paid, for all the reasons I have set out above. They should also write Mr W an openly addressed letter which explains the error they made in detail so that Mr W can approach any firms that appear on his credit files. And refund one of the subscriptions Mr W has been paying from 9 September 2022 to the date this decision is accepted, upon evidence of these payments from Mr W.

My final decision

I uphold Mr W's complaint and direct Scottish Widows Limited to redress Mr W as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 September 2024.

Cassie Lauder
Ombudsman