

The complaint

Mr F complains that Nationwide Building Society recorded a default marker on his credit file following his bankruptcy.

What happened

In May 2019 Mr F was made bankrupt. His debt to Nationwide was included in the bankruptcy. After the bankruptcy, his debt was defaulted, because Nationwide was not yet aware of the bankruptcy. So Nationwide reported a default marker on Mr F's credit file, which was dated after the bankruptcy order. When Mr F complained about that, Nationwide backdated the marker to the date of the bankruptcy. But Mr F insisted that the default marker should be removed from his credit file altogether, because he should not have been defaulted at all. He argued that the bankruptcy should have ended all further action in relation to his debt.

Nationwide did not agree to do that, because the credit file was supposed to reflect what had happened to the debt. Nationwide said it was obliged to record the default from the date of the bankruptcy. Now that Mr F's bankruptcy was discharged, the account would show as partially settled.

Being dissatisfied with that answer, Mr F brought this complaint to our service, but our investigator didn't uphold it. He said that Nationwide had followed the guidance of the Insolvency Service, which had not said that the default should not be reported at all, only that it should not be dated later than the bankruptcy.

Mr F asked for an ombudsman to review his case. He argued that he was prejudiced by the default marker being on his credit file in addition to the record of his bankruptcy, because it was essentially a duplicate entry relating to a debt that had already been included in the bankruptcy. He also argued that the default makes it appear to lenders that he took out further credit immediately after his filing for bankruptcy, and then instantly defaulted. And he provided a copy of a letter which the Insolvency Service had sent to Nationwide.

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 do not uphold it. I will explain why.

Firstly, I do not think that the way Mr F's Nationwide account appears on his credit file will mislead anyone into thinking he took out credit immediately after filing for bankruptcy and then defaulted straight away. Such a timescale is unrealistic. Instead, I'm sure it will be clear to anyone looking at it that the default coincided with the bankruptcy and that it related to a pre-existing debt.

Secondly, the letter from the Insolvency Service says:

“After the making of a bankruptcy order no person who is a creditor of the bankrupt in respect of a debt provable in the bankruptcy shall

- (a) have any remedy against the property or person of the bankrupt in respect of that debt;
- or
- (b) before the discharge of the bankrupt, commence any action or other legal proceedings against the bankrupt except with the leave of the court...”

However, reporting information to the credit reference agencies (CRAs) is neither exercising a remedy against the bankrupt person, nor commencing legal proceedings against him. So there is nothing in that letter that advises Nationwide to stop reporting the default marker.

Thirdly, I have read the Information Commissioner’s Office’s *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*. On pages six and seven, it lists the circumstances in which an account may be defaulted, and one of those is bankruptcy. It goes on to say “Lenders will report the default amount and the default date to the CRAs.” It then lists circumstances in which a default should not happen, and bankruptcy is not on that list (and none of the listed events applies to Mr F).

Then further down the page, it says this:

“The default date must be consistent with that of the CCJ/bankruptcy or IVA; therefore a default should be filed as being no later than the date of the insolvency order. In circumstances where the lender is not immediately aware, the default can be filed at that point in time. If evidence of the insolvency date is provided, the default date recorded at the CRA will be aligned.”

This is exactly what Nationwide did, so I am satisfied that the default has been correctly recorded and that Nationwide has done nothing wrong.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 7 August 2024.

Richard Wood
Ombudsman