

## **The complaint**

A company, which I'll refer to as T, complains that Lloyds Bank PLC is unfairly reporting adverse information to credit reference agencies about its borrowing.

## **What happened**

T had lending from Lloyds, including a variable rate loan and a Bounce Back Loan (BBL).

The variable rate loan was due to expire in January 2022. When it expired, no refinance deal had been agreed with Lloyds or another lender. Full repayment fell due and on 18 January 2022, the bank issued a formal demand letter saying that an event of default had occurred.

In February 2022, T's accounts were passed to the bank's recoveries department. Later in the same month, the parties agreed a settlement figure for all borrowing excluding the BBL, and this sum was paid early in April 2022.

From April 2022, T had therefore cleared all of its Lloyds debt with the exception of the BBL, which T continued to repay monthly as agreed. However, T then became aware of adverse information being applied to its credit file and the company complained. The bank acknowledged that some of the information was incorrectly applied, but it said that not all of it was incorrect.

T was unhappy with Lloyds' response and referred its complaint to us.

Lloyds said the variable rate loan did go into default. But when the company's accounts were passed to the recoveries department, the bank automatically defaulted all of the accounts, and the defaults were reported to credit reference agencies. However, given the agreement to continue with the normal BBL repayments, the bank said the default markers should not be applied each month to that account. Unfortunately, with all of T's accounts being in recoveries, the bank's systems continued to apply a default marker for the BBL. To correct this, Lloyds then manually removed the default marker each month. The bank said it was working on a long-term solution to this systems problem. The bank also acknowledged that defaults were incorrectly registered on T's other lending for several months in 2022 after the settlement agreement, and agreed to remove those markers.

Our investigator looked at the evidence and concluded that Lloyds should continue to work on finding a solution to the reporting of the BBL position and should continue to make manual adjustments each month. The investigator thought the bank should pay £250 for the inconvenience suffered by the company. T's representative said the credit information will result in the company paying higher interest rates, but the investigator said there was a default correctly recorded for the variable rate loan anyway, and she wasn't persuaded that the BBL problem alone was causing any disadvantage.

Since the investigator issued her view of the case, T has repaid its BBL in full. As a result, the bank's systems have stopped generating BBL default markers and therefore the bank doesn't have to delete them manually each month.

T disagreed with the investigator's view. Its representative made the following points, in summary:

- Defaults were showing on the credit file for the variable rate loan for April to August 2022, which was incorrect.
- T has provided evidence from experts that extra interest will be payable as a result of the adverse credit information. The cost is likely to be in seven figures.
- Even now there is one outstanding negative credit entry from February 2022, which should be removed.
- Because of the bank's errors, T had needed to check its credit file each month, which had resulted in substantial fees.

While considering the complaint, I suggested that Lloyds should pay an additional £500 to T towards the costs of its credit file checks. The bank said it was willing to offer that sum, in addition to the £250, to settle the complaint. T's representative said the offer was unacceptable, in the light of the far greater losses that the company was claiming. He also said the credit file checks alone cost more than £750.

### **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 can appreciate T's director's frustration that Lloyds' systems kept reporting a default on the BBL, with the bank then having to remove it manually each month. He feared that a prospective lender could make a search while the default marker was showing on the credit file. T has now paid off the loan and I can see no reason why this problem should arise again.

As far as I can tell, Lloyds has removed the erroneous default markers for the non-BBL lending for the period after the April 2022 settlement. The bank has said these have been removed and both T's representative and T's director say that there is one outstanding negative credit entry, which I'll now consider.

I understand T's argument about the interest rates that the company is likely to be offered by lenders. But the outstanding default entry registered by the bank relates to the period after the loan expired without repayment and before the debt was settled. The bank issued the notice of default in January 2022, and even though a settlement was negotiated later, that didn't change the fact that a default had occurred. Lloyds is required to submit accurate information to credit reference agencies. T's director has said that the company is likely to be paying a higher interest rate as a result of "one single red mark." But in my view, the default marker to which he refers isn't a bank error, so I can't reasonably require the bank to remove it.

T's representative has said that the company has spent about £30 a month on credit file checks for the past two years. I accept that T needed to make checks because of the events in this complaint. But I don't think I can reasonably require Lloyds to pay all of the costs. I believe that T would have made some of the checks anyway as a result of the company's concern about the default marker from before the April 2022 settlement, which I don't think was applied in error. I also think it's likely that T would have carried out some checks in the

course of its normal business. In the circumstances, it's my view that £500 is a fair figure, in addition to the £250 already offered for inconvenience.

I realise that T's director and its representative will be disappointed by my decision, and I recognise the strength of their feelings about the complaint. But I don't find that the remaining default marker has been applied in error and I think the £750 offered for the problems that were caused by the bank is fair compensation for the company's inconvenience and costs.

### **My final decision**

My final decision is that I require Lloyds Bank PLC to pay £750 to T.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 30 September 2024.

Colin Brown  
**Ombudsman**