

## **The complaint**

Mrs D complains that Pepper Money Limited recorded an entry about her on the CIFAS fraud prevention database, in connection with a mortgage application she made.

## **What happened**

Mrs D applied to Pepper Money for a mortgage. She submitted various documents to support her application, including bank statements and payslips.

Pepper Money considered the application. It took into account the information Mrs D gave it, as well as its own standard underwriting checks, and decided not to offer Mrs D a mortgage. It also decided to record an entry about her on the database.

The CIFAS database is a cross-industry database on which financial firms record information of concern, allowing other firms to know where future applications might require greater checks. There is no obligation to tell a customer that an entry about them has been made.

Mrs D discovered the entry when she applied for credit elsewhere and was turned down. She made a subject access request to CIFAS and learned that Pepper Money had recorded its suspicion that the payslips provided with her application were not genuine.

Mrs D complained. She said they were genuine, and her employer would confirm that if asked – but Pepper Money hadn't asked. She said the entry had caused her to be refused other mortgage applications. This caused her problems as she was going through a divorce and needed to re-mortgage to remove her former husband from their existing joint mortgage. She is concerned that if she can't re-mortgage the house will have to be sold.

Our investigator thought that Pepper Money had acted fairly, and didn't think it should be asked to remove the entry. So Mrs D asked for an ombudsman to make a final decision on her complaint.

## **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.

Whenever a lender receives an application for a mortgage, it will consider the application. This involves checking the information received, as well as carrying out its own standard checks and underwriting procedures. That's what Pepper Money did in this case.

These checks are crucial; a mortgage is a significant commitment, and the regulator requires lenders only to lend where they can be sure that the mortgage is affordable. And the regulator requires lenders to obtain robust evidence of income and expenditure.

Having carried out its checks, Pepper Money had some concerns about the information it had been given by Mrs D via her broker. She provided her payslips and bank statements. But there were discrepancies in the information Mrs D provided; for some months the

payments into her bank account did not match either the amounts or the dates on her payslip.

Mrs D has since given us a screenshot of her income details as recorded on her tax records. And the HMRC figures Mrs D gave us also do not match the payslips for August 2019.

And in October 2019, the same amount as the payslip was paid into her bank account – but a significant amount of that was then transferred from her bank account to the director of her employer a few days later.

Mrs D told us that was a payment to her partner, then told us it was a payment for a trip. And she said her employer was a small business that made payments on different dates for budgeting reasons.

Making an entry on the database doesn't require fraud to be proved beyond reasonable doubt, or even on the balance of probabilities. The database requires firms to have reasonable suspicion that fraud may have been committed or attempted before making an entry. It's not a definitive record that fraud has taken place.

The database is place for financial firms to share information about applications that raise questions. That's why an entry is not a reason, of itself, for later firms to refuse an application – a database record is a prompt to make further enquiries, not grounds for automatic refusal.

I've taken all that into account, and I think Pepper Money acted reasonably in making the entry onto the database. It had concerns that it had been given inaccurate information about Mrs D's income, and I think those concerns were reasonable in all the circumstances.

### **My final decision**

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 13 July 2021.

Simon Pugh  
**Ombudsman**