

The complaint

Mr G and Mrs G complain that Bank of Scotland plc trading as Halifax marked their credit file showing their mortgage was in arrears.

What happened

Mr G and Mrs G have a mortgage with Halifax. The balance in May 2020 was £282,138. Monthly repayments were then £2,178.18. Mr G and Mrs G were both made redundant and applied for two payment deferrals under the COVID-19 support scheme. The first ran from May 2020 to the end of July 2020; the second ran from August 2020 to the end of October 2020. Halifax agreed to those and payments were suspended. During the second period, reduced payments of £1,000 a month were initially agreed to. But these weren't made and in September 2020 in a phone call, Halifax agreed to waive those arrears and change Mr G and Mrs G's credit file. A full, backdated three-month payment deferral was put in place instead – with effect from August 2020.

So – Mr G and Mrs G had a total six months' payment deferral – whereby monthly payments were suspended, interest was still charged, but missed payments were not advised to the credit reference agencies.

In November 2020, the full contractual payment of £2,190.96 was due and Mr G and Mrs G applied online for a 'hold' on payments under the scheme that Halifax were then offering. This wasn't a COVID-19 payment deferral, and while monthly payments were suspended, arrears on the mortgage were shown on Mr G and Mrs G's credit file. They didn't make the payments due in November 2020 and December 2020. So – their credit file was marked with two months' arrears. In April 2021 – Halifax sent a letter to Mr G and Mrs G saying they were in arrears by £4,364.76 – the equivalent of two missed payments.

Mr G and Mrs G complained. They said they'd been offered a further three months' payment deferral from November 2020 on the same terms as before – so their credit file should not be marked with the arrears. They said that Halifax had told them they would call them towards the end of October 2020 to let them know what the options were then. But they didn't do that. They said Halifax were now incorrectly reporting three or four months arrears information on their credit file. They said this was wrong – as a result, they couldn't get any credit and their lives were badly affected.

Halifax said to us that at the time of the call with Mr G on 8 September 2020, payment deferrals were available for another three months. But - they said they didn't offer this to Mr G and Mrs G. They said they advised Mr G and Mrs G to call them towards the end of October 2020 to discuss what to do next. Then, in the middle of September 2020, there had been a policy change – so payment deferral were stopped and replaced by 'holds' on payments – which did include the marking of credit files with arrears information. Halifax said Mr G and Mrs G had then gone online and signed up for a 60-day payment hold – and agreed to its terms and conditions. This included marking the missed payments as arrears on their credit file. Looking at the arrears – Mr G and Mrs G's credit file showed two months' arrears in April 2021 – because of the missed payments in November 2020 and December 2020. So that was accurate.

Mr G and Mrs G brought their complaint to us. Our investigator said Halifax had acted reasonably. On the call with Halifax on 8 September 2020, Mr G and Mrs G were told to contact Halifax at the end of October 2020 – if they were still struggling at that time. Options could then be discussed. Halifax did say on the call that a further three months payment deferral was then available (which it then was). But then – there was a policy change which meant Halifax no longer offered payment deferrals on the old terms. Instead, they replaced payment deferrals with a ‘60-day hold’ – which did involve reporting arrears to credit reference agencies. This was also consistent with the change in policy which came from the Financial Conduct Authority (FCA) at that time. Halifax couldn’t be expected to call all customers about that change. He said Mr G and Mrs G then applied online for the 60-day hold. And the online application did say there would be an effect on Mr G and Mrs G’s credit file. So – Halifax had reported accurately the arrears information.

Mr G and Mrs G didn’t agree. They said they’d been offered a further payment hold on the same terms as before - and it couldn’t be withdrawn. They asked that an ombudsman look at their 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.

In March 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Halifax, agreed to put in place ‘payment deferral s’ on many credit agreements, including mortgages – to help customers who were affected. Customers could ask for a total of two payment deferrals, each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers’ circumstances. And – reporting to credit reference agencies was reintroduced for people that had already had the maximum six months of payment deferrals.

Halifax told us that up until 23 September 2020, they had a policy of being able to offer a total payment deferral of nine months. But when the FCA guidance was announced, Halifax changed that to six months. Halifax said that payment deferral s would stop and all further requests were to be ‘tailored’ to individual circumstances – they introduced a ‘breathing space’ or ‘holds’ whereby payments could be missed, but credit files would be marked to show that.

Mr G and Mrs G took advantage of the scheme for their mortgage from May 2020 through to the end of October 2020. They took two payment deferrals, each of three months. So – Mr G and Mrs G had, by then, used up their payment deferral entitlement for a six-month period.

The call on 8 September 2020 is important. I’ve listened to it. The main purpose of it was to resolve the missed payments of £1,000 – and this was dealt with. Halifax agreed to waive them and back date the payment deferral to August 2020 through to the end of October 2020. But then, the call handler went on to say that the ‘full contractual mortgage payment’ (CMP) was due early in November 2020 – and if this was not possible, ‘*we can offer a further three-month extension*’. I can see why she said this – as that was what was available from Halifax at that time – as their policy hadn’t changed. The call handler went on to say

that Mr G and Mrs G should call Halifax at the end of October 2020 to discuss what to do next and added that a letter would be sent out to show the options at the end of the payment deferral. On the call, Halifax didn't say they would call Mr G and Mrs G. And I don't consider that Halifax offered a further payment deferral on the call.

I can see why Mr G and Mrs G thought they were going to be offered a further payment deferral on the same terms as before, but equally, they hadn't had anything in writing to say that, and they were asked to call Halifax at the time to discuss the way forward. I haven't seen that Mr G and Mrs G did call Halifax as they been asked to do. It's fair to assume that had they done so, they'd have been told about the new policy and the effect on credit file reporting.

Halifax sent a letter dated 6 October 2020 to Mr G and Mrs G – as they'd promised. This outlined the options at the end of the payment deferral at the end of October 2020. The letter said that payments to Mr G and Mrs G's mortgage would start again in November 2020. It said, "*your monthly payment from 2 November 2020 is £2,190.96*". There was a FAQ sheet attached which said, "*Things you need to know...you could take another payment holiday*" and later it said "*taking a payment holiday won't directly affect your credit score...if you miss any payments outside of an agreed payment holiday, we may have to tell the credit reference agencies...*" I must say that I found the FAQ confusing, because it wasn't clear about the effect on CRA reporting. But – the letter didn't offer Mr G and Mrs G another payment deferral – it was saying that payments were starting again. And Mr G and Mrs G could ask for a payment deferral if they needed it.

Then - on 31 October 2020, Mr G and Mrs G applied online for a 60-day payment hold – and signed up to the terms and conditions. I've seen the screenshot of what was shown which said, "*there will be an impact on your credit file if you don't keep up with your payments.*" So – I think that was clear that their credit files would be affected.

Halifax wrote to Mr G and Mrs G on 31 October 2020 to confirm, "*We've put a 60 day hold on your mortgage*". It also said "*If you miss payments during this time you will fall behind and will need to catch up with them. We won't contact you but there will be an impact on your credit score which can make borrowing harder and more expensive in the future.*" So – this was clear that Mr G and Mrs G's credit file would be marked.

I can then see that Mr G and Mrs G didn't make the payments for November 2020 and December 2020 – this was in line with what had been agreed. And so – they were two months in arrears. Halifax wrote to them in February 2021 and April 2021 and said they were two months in arrears - £4,364.76. This was because of the two missed payments in November 2020 and December 2020. I've also seen that their credit file was marked with those arrears between November 2020 and April 2021. This accurately reflects what happened. The credit file would be marked in that way until the two missed payments were made up.

I consider that Halifax acted reasonably. I can see the Mr G and Mrs G feel strongly about what happened, and so will be disappointed by my decision. But I won't be asking Halifax to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 28 February 2022.

Martin Lord
Ombudsman