

## The complaint

Miss G complains that Nationwide Building Society unfairly reported missed payments to credit reference agencies when she was unable to make payments to her personal loan account because of the impact of the Covid-19 pandemic on her income. More broadly she complains that Nationwide didn't offer her the "*tailored support*" she was entitled to expect.

## What happened

In October 2016 Miss G took out a fixed sum loan with Nationwide for £12,000. The term of the loan was 60 months and the monthly payments around £217.

In March 2020 Miss G requested some help as her income was disrupted by the Covid-19 pandemic. A nil-payment plan was agreed initially, but when Nationwide started offering Covid-19 payment holidays Miss G's plan was converted to a three-month payment holiday – this would prevent negative information being reported to her credit file.

In August 2020 Miss G asked for an extension to the payment holiday. Nationwide agreed a three-month nil-payment plan for September 2020 to November 2020 but later (in May 2021) recognised that this should have been a Covid-19 payment holiday extension covering the payments due in August, September and October 2020, and removed the missed payment markers for September and October.

In November 2020 Nationwide contacted Miss G to discuss her situation. I've listened to a recording of this call. Miss G enquired about adding the loan to her mortgage or rewriting it, but because nothing had changed about her income and she had no disposable income, Nationwide said they'd be unable to do that. However, they offered her a nil-payment plan covering December 2020, January and February 2021. They also explained that this would show on her credit file. Miss G agreed.

In February 2021 Nationwide wrote to Miss G advising that her current payment plan had ended.

Nationwide called Miss G on 22 February 2021. I've listened to a recording of this call. Miss G said she was starting to get some work again and the future was "*looking brighter*" but she didn't have the money to make any payments at that moment, particularly as her freezer had just broken. Miss G asked Nationwide to consider giving her a further three-month payment holiday.

Nationwide said they wouldn't be prepared to do this due to the level of arrears. They said the best option, to give her more time, would be to default the loan, freeze the balance and send the outstanding amount to a debt collector to arrange a longer-term affordable repayment plan. Miss G wasn't happy to accept that the account would default; she asked Nationwide to consider re-writing the loan over a longer term. Nationwide explained that wouldn't be possible as Miss G couldn't demonstrate that would be affordable.

Miss G said she'd try to bring the account up to date before the default notice expired. She made it clear she wanted to avoid a default as she was worried about how it would impact

her job. Nationwide issued a default notice giving her to 15 March 2021 to clear the arrears.

Miss G contacted Nationwide on 10 March 2021. Miss G said she'd like to pay £2,800 off what she owed. She was advised to pay £2,392.39 to clear the arrears and bring the account up to date. (Nationwide later explained that to clear the arrears on 10 March 2021 she ought to have been advised to pay £2,827.37 – the payment she'd made had only brought her account up to date to the end of January 2021).

In April 2021 Miss G made a complaint about the missed payment markers Nationwide had reported to credit reference agencies since the start of her payment holidays and plans – she said there were seven “*malicious entries*” on her credit file.

Nationwide responded to Miss G's complaint about missed payment markers on 6 May 2021. They accepted that they ought to have given Miss G a full six months of Coronavirus support, as there was no indication that this wasn't in Miss G's best interests, before looking at 'business as usual' support and that missed payments therefore shouldn't have been reported until October 2020. They agreed to request an amendment but said the credit reference agencies might take 6-8 weeks. And they offered Miss G £80 compensation. Miss G refused to accept this. She described placing adverse information on someone's credit file during a pandemic as “*disgraceful*”.

Later in May 2021 Miss G paid off the remainder of the loan.

Miss G raised a further complaint about a missed payment being reflected on her account for the month of March 2021. On 27 May 2021 Nationwide upheld this complaint agreeing that there should be no missed payment for March 2021 because that's when Miss G brought her account up to date (or would have done if she'd been advised of the correct amount). They agreed to send a request through to have this amended and offered Miss G a further £50 compensation.

In July 2021 Miss G checked her credit file and saw that missed payments were showing for July, August, September, and October 2020. She provided screenshots to both us and Nationwide. Later that month she checked again and found the entries for July – October 2020 had been removed and replaced with missed payments for November and December 2020 and January to March 2021.

Nationwide also provided us with a screenshot from one of the main credit reference agencies – this showed 5 missed payment markers – November 2020 to March 2021 inclusive.

In July 2021 the Information Commissioner's Office asked Nationwide to do more to respond to Miss G's complaint regarding the information they'd reported to her credit file.

In response to the ICO's involvement, Nationwide issued a further response to Miss G in August 2021. They confirmed that they'd remove entries relating to periods when Miss G was, or ought to have been, on a payment holiday “*as a Payment Holiday plan does not impact your credit file*” but that any other missed payment markers would remain, “*as they are an accurate reflection of the account*”.

In correspondence with our investigator Miss G added to her complaints that she'd been given no “*tailored support*” by Nationwide when the Covid-19 payment holidays ended. Miss G made reference to the Financial Conduct Authority's guidance on coronavirus support.

*What Miss G told us*

When Miss G brought her complaint to this service she said her credit file was “*littered*” with missed payment markers between July 2020 and April 2021 when the FCA’s guidance on what lenders should do during the Covid-19 pandemic said this shouldn’t happen.

#### *What Nationwide told us*

Nationwide explained that whilst Miss G’s credit file wasn’t affected when she was on a payment holiday they reported missed payments when the payment holidays expired and she was on a nil-payment plan because they’re required to report accurate information to credit reference agencies. They said the ones for November 2020 to March 2021 had been reported correctly because during that time Miss G was on a nil-payment plan; her Covid-19 payment holidays having expired.

#### *Our investigator’s view*

Our investigator upheld Miss G’s complaint. She said whilst the missed payment markers Nationwide had reported for the period after her payment holiday ended and she was on a nil-payment plan (November 2020 to February 2021) were fairly applied, Nationwide shouldn’t have reported a missed payment for October 2020 (showing on reports as November 2020) because she was still on a payment holiday at that point, or for March 2021 (showing on reports as April 2021) because but for Nationwide’s error she’d have brought her account up to date that month.

Our investigator noted that Nationwide had already agreed to request an amendment of the April 2021 entry, but she said they should also correct the entry for November 2020. She also said Nationwide’s offer of compensation wasn’t sufficient compensation for the distress caused by some incorrect markers being added to Miss G’s credit file, and recommended they pay Miss G £250.

In a supplementary view, our investigator said it was reasonable for Nationwide to put Miss G on nil-payment plan in November 2020 because she’d already been provided with two payment holidays.

Nationwide agreed to remove the adverse information prior to December 2020 as a goodwill gesture, alongside the £250 compensation award.

Miss G didn’t accept the investigator’s view – she provided a detailed response. She didn’t think the level of compensation was fair. She suggested increasing the award to £1,500. She highlighted the impact on her credit rating, the embarrassment and distress she’s suffered, and the time it’s taken her to sort out.

Miss G asked why Nationwide couldn’t have chosen to mark her credit file with “*Arrangement*” as a fairer reflection of the fact she was on a nil-payment plan. She said missed payments gives the impression she either refused or forgot to pay, not that she was on a nil-payment plan. She said: “*All I am asking for is to be treated in line with the FCA’s guidelines during the Pandemic.*”

In December 2021 Nationwide provided a copy of Miss G’s credit reports from three of the main Credit Reference Agencies. These showed missed payments against five months – November 2020, December 2020, January 2021, February 2021 and March 2021. The account status showed as ‘ST’ meaning settled.

As no agreement could be reached, the complaint has come to me to decide.

#### **The scope of this decision**

Before I explain my findings on this complaint, I want to provide some clarity about what issues this decision will, and will not, address. Between April and September 2021 Miss G brought numerous complaints to this service which relate to Nationwide's management of her personal loan account between March 2020 and August 2021. As they all relate to the same loan account and series of events, the complaints overlap, but they've been handled separately until this point and so I'm issuing four separate decisions addressing different aspects. In summary, Miss G has complained that:

1. Nationwide unfairly marked her loan account as defaulted in January 2021 and passed it to a debt collector.
2. Nationwide reported missed payments to credit reference agencies whilst she was on payment plans and didn't offer her appropriate support in relation to her financial difficulties during the Covid-19 pandemic.
3. Nationwide reported the following adverse entry to her credit file in May 2021 - "*A unsecured loan account will be changed to negative status on your May report*".
4. Nationwide reported a 2nd default in May 2021, advised her that the only way to fix the incorrect default was to re-write the loan, and sent her a notice of arrears letter in August 2021.

In this decision, I'll address Miss G's complaint that Nationwide reported missed payments to credit reference agencies whilst she was on payment plans and didn't offer her appropriate support in relation to her financial difficulties during the Covid-19 pandemic.

### **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 agree with the investigator's assessment; I think it's fair for Nationwide to have recorded four missed payment markers for the payments due in November and December 2020 and in January and February 2021 (each would show on the credit file as a month later than when the payment was due). I also think Nationwide treated Miss G fairly and reasonably when her Covid-19 payment holidays came to an end in November 2020.

However, I can see that there has been some inaccurate and confusing reporting of missed payments to Miss G's credit file along the way; the payments for August, September and October 2020 ought not to have been reported as missed as this should have been a payment holiday, not a nil-payment plan. And the payment for March 2021 should not have been reported as missed because Miss G would have made that payment if she'd been advised correctly about the amount she needed to pay to bring the account up to date on 10 March 2021.

Nationwide have previously said that, as Miss G had already received the maximum 6 months payment holiday by October 2020 (she'd not made any payments since February 2020), it would be reasonable for Miss G's credit file to show a total of five missed payment markers – with the first missed payment being the one due in October 2020 (showing on credit reports as November 2020). I've thought about this carefully and referred to the FCA's '*Personal loans and coronavirus: Payment Deferral Guidance*' which was first issued in April 2020 and updated several times to November 2020.

This guidance allowed lenders, including Nationwide, to put in place 'payment deferrals' on many credit agreements, including personal loans, to help customers whose income was affected by the measures imposed by the government in response to the pandemic. The guidance said:

*“2.2 The maximum number of monthly payments that a firm should defer under this guidance over the period from 9 April 2020 to 31 July 2021 in respect of a regulated credit agreement is 6 in total.*

*2.3 A firm should not give a single payment deferral in respect of more than 3 monthly payments.”*

The guidance went on to say that *“firms should not report a worsening status on the customer’s credit file during any payment deferral period”*, but the expectation was that firms would report to credit reference agencies in line with normal reporting processes where payments were missed outside of the payment deferral periods. The guidance also said firms weren’t precluded from *“offering a more generous form of support”* and that *“When implementing this guidance, firms should take account of the particular needs of their vulnerable customers”*.

Looking at the course of events in Miss G’s case I think Nationwide, in effect, gave Miss G payment deferrals from March 2020 up to and including the payment that was due in October 2020. The first payment deferral covered the payments due in March, April and May 2020 and the second payment deferral appears to have, retrospectively, covered the payments due in August, September and October 2020. This does mean that the payments due in June and July 2020 don’t seem to have been covered by a payment deferral period. As such I think it would usually be reasonable to report these payments as missed. But as I don’t think it was made clear to Miss G until November 2020 that her Covid-19 payment holidays had ended, and because Miss G is a vulnerable customer, I think it’s fair to consider Miss G’s first missed payment as the one that was due in November 2020. That means I think it’s fair, in the particular circumstances of this case, that her credit file only shows that she missed payments in November and December 2020 and January and February 2021 – a total of four missed payments.

I note that Nationwide have already agreed, as a gesture of goodwill, to remove the adverse information on Miss G’s credit file prior to December 2020. They’ve also agreed to pay the £250 compensation award our investigator recommended. I think that’s a fair and reasonable outcome; the compensation reflects that Miss G has been caused some distress by the multiple changes to her credit file and overall lack of clarity about which months were covered by a Covid-19 payment holiday and which were not. It also reflects the distress caused by the missed payment unfairly reported for March 2021.

I don’t agree with Miss G that more than £250 compensation is warranted here. I know she’s distressed that *any* adverse information has been reported in respect of this loan at all, and that distress is acutely felt because of Miss G’s wider experiences with Nationwide. But ultimately, I find she’s received a longer period of payment deferrals (8 months) than she was strictly entitled to under the FCA’s guidance and the remaining four missed payment markers have been applied fairly.

Moving on to Miss G’s complaint that Nationwide failed to offer her *“tailored support”* when her payment deferrals came to an end, I don’t think Nationwide acted unfairly or unreasonably. By the time Miss G spoke with Nationwide in November 2020 Miss G had paid nothing towards her loan for 9 months and the outlook for when her income would return to a more stable state remained uncertain.

The FCA’s guidance *‘Consumer credit and Coronavirus: Tailored Support Guidance’* applied to firms dealing with customers who were no longer eligible for payment deferrals. The intent was support firms, *“to help customers bridge the crisis and get back to a more stable financial position.”* That guidance said tailored support could include further payment deferrals where a firm agreed to accept no payments for a further period, but made it clear:

*“These payment deferrals would not be subject to the Payment Deferral Guidance but would be provided as a form of tailored support under this guidance. Payment deferrals provided in these circumstances should therefore be reported to credit files in accordance with usual reporting processes ...”*

The guidance also said that because of the prevailing uncertainties it would be appropriate to delay the use of long-term solutions and offer short-term forbearance arrangements. I think that by offering Miss G a nil-payment plan for December 2020 and January and February 2021 Nationwide were giving her further space and time to see what would happen with her employment; and I think that was a fair thing to do in the circumstances. Nationwide were also adhering to this guidance when they reported these payments as missed.

### **Putting things right**

I’m upholding Miss G’s complaint to the extent that I find Nationwide unfairly reported missed payments to credit reference agencies for the months of October 2020 and March 2021 (showing on reports as November 2020 and April 2021), and also provided a lack of clarity about which payments were covered by Covid-19 payment holidays which led to multiple changes being made to Miss G’s credit file and caused her distress. To put this right Nationwide should, as they’ve already agreed to do, and if they’ve not already done so:

- Arrange for the missed payments prior to December 2020, and the one for April 2021, to be removed from Miss G’s credit file.
- Pay Miss G £250 compensation.

### **My final decision**

My final decision is that I uphold this complaint in part. Nationwide Building Society should put things right in the way I set out in the *‘Putting things right’* section above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss G to accept or reject my decision before 13 July 2022.

Beth Wilcox  
**Ombudsman**