

The complaint

Mr B complains about the service provided by The Royal Bank of Scotland Plc (RBS) following a request for a payment deferral during the pandemic.

Mr B is represented in this complaint by Mrs B. But for ease of reading, I'll refer to Mr B throughout the decision.

What happened

In October 2020 RBS agreed a three-month loan payment deferral for Mr B in line with the Covid relief guidance issued by the Financial Conduct Authority (FCA).

Mr B expected his monthly repayments to commence automatically when the payment deferral expired. When he realised this hadn't happened, he contacted RBS. RBS accepted it had made a mistake - it had cancelled Mr B's direct debit in error.

RBS explained in a final response letter that it would: reinstate the direct debit to ensure future payments were made, refunded interest accrued on the arrears (£22.35), pay £50 compensation for the inconvenience the error had caused and remove the adverse data reported on Mr B credit file about the missed payments. It also asked Mr B to call to make the payment that had been missed because of the direct debit not restarting when it should have done.

But Mr B says he didn't receive this letter and therefore he wasn't aware of the next steps. So, he contacted RBS again. As a result, Mr B said he'd spent more time on the phone trying to speak with RBS about the impact on his credit file. He also added that he was unhappy about receiving arrears letters which he felt were threatening.

RBS re-opened the complaint and responded further to Mr B's concerns. It said the arrears letters were regulatory notices it had to send as - while a payment deferral had been agreed, technically the account was in arrears. It added that the amendment to Mr B's credit file would be actioned but said that credit file updates aren't automatic and could take several weeks to show on his credit report. For the additional inconvenience caused, it paid a further £100 in compensation. It also reimbursed Mr B's call costs (£13) and refunded further interest (£25.29) and waived the pending interest of £4.45. It also said it would send the documents Mr B needed to sign to complete a loan extension to ensure the arrears were repaid.

Unhappy with the outcome, Mr B referred his complaint to us. One of our investigators looked into it. He noted – in addition to the actions mentioned above, RBS had provided evidence to show that any adverse data on Mr B's credit file had been removed and that it had offered a further £100 compensation - £250 in total. So, he thought RBS had done enough to put things right and offered fair compensation.

Mr B disagreed saying:

- his credit file still didn't reflect that he hadn't missed the payments – rather the relevant credit file entries were showing as 'Q' on his credit report.
- RBS wouldn't discuss the repayment of the payment deferral arrears over the phone and he hadn't received the paperwork required to deal with this.
- These issues had hampered his attempts to re-mortgage; and
- £250 compensation didn't sufficiently recognise the time spent on this matter and the distress caused.

The investigator responded to explain that a 'Q' marker on a credit file wasn't considered to be adverse data. It meant a query on the payment had been raised but that this didn't have a negative impact on the overall credit score. He added he'd been in touch with RBS and it had been confirmed that the loan extension paperwork had been issued again.

So, he didn't change his view that the steps RBS had taken to put things right - including the offer of increased compensation, was fair. Unhappy that the complaint had not been resolved to his satisfaction, Mr B asked for his complaint to be reviewed by an ombudsman. So, the complaint was passed to me to decide.

While completing my review of the complaint, RBS confirmed that it had since taken steps to also remove the 'Q' marker from Mr B's credit file. But I was still minded to reach a slightly different conclusion to the investigator to bring this complaint to a fair conclusion. So I asked the investigator to contact both parties to explain I was minded to increase the level of compensation to £450 (in total) and to direct RBS to contact Mr B directly to complete the required formalities to extend the term of the loan.

Mr B responded to say he had concerns that he still hadn't received the loan extension paperwork and that he thought the compensation was too low. RBS later responded to say it agreed to pay the increased amount of compensation. And it confirmed that contact had since been made with Mr B (on 21 June 2022) and that he'd confirmed receipt of the loan extension paperwork but was waiting for the outcome of his complaint before signing and returning the forms.

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.

This includes both parties most recent comments. Having done so, as mentioned above, I've reached a different outcome to that of our investigator, so I'm upholding Mr B's complaint. I recognise that Mr B will still be disappointed as the outcome may not go as far as he'd hoped, so I'll explain why.

It's not in dispute that RBS made an error when setting up the payment deferral and in cancelling Mr B's loan direct debit. So, I don't need to make a finding on this.

What remains in dispute is whether RBS has done enough to put things right for Mr B. The approach we take when a business has made an error is that the consumer should be put back in the position they would have been in had the error not incurred. And to consider whether an award for distress and inconvenience is appropriate.

As mentioned above, RBS has reinstated Mr B's direct debit, refunded interest and telephone call expenses. And it has agreed to amend Mr B's credit file to remove any data relating to missed payments for the months the payment deferral should have been in place.

So, the crux of the matter outstanding as I see it is the loan term is yet to be extended due to delays in receiving the required paperwork, the impact on a potential re-mortgage application and the distress and inconvenience this whole matter has caused.

Mr B has provided evidence which he believes shows that a re-mortgage application was declined due to the adverse data RBS recorded on his credit file. RBS said, when it first looked at Mr B's concerns, that it couldn't find any adverse data recorded by it on Mr B's credit file. But it would take steps to remove any that may have been in the process of being applied. This is because it can take up to around eight weeks for a credit file to be updated.

While the complaint was reviewed by our investigator, RBS has shown that a 'U' marker had been applied. I understand a 'U' marker on a credit file is recorded when a lender doesn't have any other activity to report on the account. And that 'U' markers are neutral, so are not regarded positively or negatively by lenders. Mr B has shown that one credit reference agency was reporting a 'Q' marker, but as the investigator explained, this means that a query has been raised on the payments, but this isn't negative data either. In any event, RBS has since agreed to remove the 'Q' marker. Overall, I'm persuaded that RBS has agreed to do enough to ensure Mr B's credit file has been updated.

But to safely conclude this issue was the reason for a re-mortgage application to be declined, I'd need to be satisfied that the sole reason for the decline was because of negative information recorded on his credit file. Overall, given the above, I'm not persuaded that this is the case here. A re-mortgage application can be declined for many reasons and is quite often due to more than one single element in the application process.

I note Mr B says he found the arrears letters he received to be threatening. And I can understand why - having never been in arrears before, Mr B may have felt this way. But as the investigator explained, RBS didn't do anything wrong in sending them. RBS - like all lenders, has a regulatory obligation to make sure customers are kept updated on the status of their accounts. And, having looked at the letter Mr B has provided to us, I'm satisfied this is a standard letter providing options on how to repay the arrears that accrued during the payment deferral. I would expect all lenders to have issued similar letters to all customers in the same circumstances as Mr B.

I acknowledge the length of time it has taken for Mr B to receive the paperwork to reschedule the term of the loan. RBS says it has issued the documents twice to Mr B. And I can see the investigator has checked the address held by RBS. So, it's not clear why the paperwork wasn't received previously. But - on balance, I think these were most likely sent. I think, making arrangements for repayment of the loan arrears would have just as important to RBS as it was for Mr B. In any event, as mentioned above, RBS has now confirmed the paperwork has been received by Mr B. I appreciate it took longer than expected to get to this point - but I've not seen anything to suggest that Mr B hasn't lost out financially because of the delay. This is because the paperwork relates to the term extension and any changes in the loan agreement would have always been required following the payment deferral and wouldn't have impacted his re-mortgage application. RBS has refunded interest on the arrears which I think is fair.

I note some of the contact Mr B had to make with RBS was a result of not receiving the final response letter. RBS has accepted that the final response letter - which should have been emailed to Mr B, may not have been sent successfully. But it has apologised, and refunded Mr B's call costs incurred because of the additional calls he had to make which I also think is fair.

But looking at the complaint as a whole, I'm satisfied that Mr B was caused distress and inconvenience which stemmed from the initial error that RBS hasn't disputed. Taking the

above into account, including the other refunds RBS has made, I'm satisfied that £450 compensation (in total) fairly reflects the impact RBS' error had on Mr B.

I appreciate that the loan extension still needs to be executed. I'll leave it with Mr B to return the signed forms to RBS for this to be actioned.

Putting things right

The Royal Bank of Scotland Plc should now:

- Pay Mr B £450 to recognize the distress and inconvenience caused less any compensation payments already paid.
- Action the loan extension forms upon receipt and send confirmation to Mr B when this has been done.
- Ensure that action has been taken to remove any data relating to the missed payments it recorded on Mr B's credit file during the period the loan deferral should have been in place.

My final decision

For the reasons given above, I uphold this complaint and I direct The Royal Bank of Scotland Plc to take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 August 2022.

Sandra Greene
Ombudsman