

The complaint

Mr H and Mrs H complain Lloyds Bank plc (Lloyds) unfairly marked adverse credit information on their credit files.

What happened

Mr H says following a change of employment in mid-June 2018 his payday date moved to the last working day of the month. Mr H says he contacted Lloyds to ask if his mortgage payment date could be amended to reflect that, but he was told by Lloyds it could only amend the payment date if he paid an extra payment that month. Mr H says he didn't have the funds available to do that, so he was left with no other option going forward, than to allow the direct debit for the mortgage payment to be returned unpaid each month and then make up the payment a few days later.

Mr H and Mrs H says they never missed a mortgage payment and their mortgage account was never in arrears. Mr H and Mrs H says they recently discovered that their credit rating had deteriorated and on checking this learned that Lloyds had recorded missed payments on their credit files every month for the previous three years. Mr H and Mrs H says Lloyds never gave them any other option at the time it was told of his change of payday date, other than to pay the mortgage payments after they had been missed.

Mr H and Mrs H says Lloyds shouldn't have marked their credit files to suggest they had regularly missed payments on their mortgage when their mortgage account had never been in arrears. Mr H and Mrs H says Lloyds actions in recording the adverse information on their credit files has prevented them securing finance elsewhere. Mr H and Mrs H want Lloyds to remove the missed payment markers from their credit files, agree to change the date of their mortgage payments as they originally asked and to pay compensation for the trouble and upset this has caused them.

Lloyds says they haven't done anything wrong here, and at the time Mr H requested the change of mortgage date it wasn't possible as it wasn't within the scope of its policy at that time. Lloyds says the terms and conditions of Mr H's and Mrs H's mortgage also makes clear that the payment date can't be any later than the 28th day in any one month. Lloyds also says it wasn't able to provide a payment holiday to Mr H and Mrs H as they had previously benefited from this in March 2016 and this couldn't be repeated within a three-year time span. Lloyds says they did make Mr H and Mrs H aware in writing of the missed mortgage payments and the impact this may have on their credit file.

Lloyds says it has correctly recorded the missed payments on Mr H's and Mrs H's credit file to accurately reflect what happened, as it is obliged to do.

Mr H and Mrs H weren't happy with Lloyds response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt Lloyds had acted within both its policy and the terms and conditions of the mortgage agreement at that time. The investigator says Lloyds accurately reflected the fact Mr H and Mrs H had missed their due monthly mortgage payments on their credit files even

though these were made at a later date. The Investigator says even though these delayed payments meant Mr H and Mrs H weren't in arrears, it didn't negate the fact the payments had been missed.

Mr H and Mrs H didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Mr H and Mrs H when Lloyds were unable to amend their contractual monthly mortgage payment date, to match Mr H's new payday date, which resulted in missed payments being recorded on their credit files.

When looking at this complaint I will consider if Lloyds acted reasonably when it registered numerous missed mortgage payments on Mr H's and Mrs H's credit files.

Mr H's and Mrs H's complaint centres around the fact Lloyds were unwilling to amend their contractual mortgage payment (CMP) date to match Mr H's new payday date, this resulted in missed payments being registered on their credit files. Mr H and Mrs H make the point that Lloyds only solution to this issue was for them to make two payments in one month, to allow it to extend the CMP date, but that wasn't affordable at the time.

I understand the points Mr H and Mrs H have made here, but it's fair to say they do have a responsibility to make the CMP on time, in line with the terms and conditions of the mortgage agreement they signed.

I've also been provided with evidence from Lloyds to show its policy at that time meant it was unable to amend the CMP date beyond the 28th day of the month. In addition, Lloyds policy at that time also stipulated that a payment holiday, which may have helped here, couldn't be granted twice within a three-year period, given Mr H and Mrs H took a payment holiday in March 2016. Lloyds have also provided copy letters sent in February 2020 and September 2020 confirming Mr H and Mrs H were made aware they had missed their CMP, and their credit files may be affected.

It's fair to say Lloyds had acted in line with its policy and the terms and conditions of the mortgage agreement Mr H and Mrs H had signed. But what I'm left to consider is whether or not it's fair and reasonable, knowing Mr H's payday date had changed, to have Mr H's and Mrs H's credit files affected for the remaining term of their mortgage - simply because Lloyds policy on requests for a further short term payment holiday, weren't allowable at that time.

I understand that Lloyds have changed its policy on that now and this could be an option for Mr H and Mrs H to consider. But here from the information I have seen, Lloyds were aware that Mr H and Mrs H weren't in a financial position to make two CMP's in one go. With that in mind I would have expected Lloyds to have at least provided some alternative suggestions, or at the very least to have made Mr H and Mrs H aware of the impact of them missing the CMP due date on their credit file, at the time the issue was first raised— but I can't see it did that. I say this because it's reasonable to think Mr H and Mrs H knowing the impact this course of action would have on their credit file, may have considered other options available to them.

Although Mr H and Mrs H were written to by Lloyds explaining the implications of the missed CMP's, this was approaching two years from the initial discussions held, by which time their credit file had already been affected by it.

So while Lloyds followed its policy and procedures at that time, I don't feel Mr H's and Mrs H's credit file should be impacted in the way it was, simply because of them not meeting Lloyds criteria and process for the number of payment holidays they could apply for at that time. The credit file I have seen indicates to any third party looking at it, that Mr H and Mrs H were continually unable to meet their CMP's. But I don't think that fairly reflects the whole situation here, as in reality Mr H and Mrs H only wanted to defer the CMP for a few days in line with Mr H's new payday date. But here, Lloyds weren't able to accommodate that request and I feel they could have done more at that time in 2018, to have helped Mr H by allowing a further one month payment holiday to avoid a permanent arrears position on the mortgage account going forward.

So I am satisfied the fair and reasonable outcome here, while acknowledging Lloyds acted in line with its process at the time, is to amend Mr H's and Mrs H's credit files to show an initial payment arrangement for the month of July 2018 and the subsequent CMP's being made on time – that would in my mind be a fairer reflection of the actual position here.

I can't say that Lloyds deliberately went out of its way to create this situation, but knowing what we know now, I am satisfied this is the right course of action. I also propose Lloyd's should now agree to change the monthly payment date to suit Mr H and Mrs H as they originally requested, as I understand that is now something it can accommodate. That said I don't propose any other redress here, as it's reasonable to say Mr H and Mrs H also had a part to play in looking for alternative solutions over this long period of time.

While this may not be the outcome either party were hoping for, I am satisfied this is a fair way forward here.

Both Mr H and Mrs H and Lloyds responded to my provisional decision, so the case has been passed back to me make a final decision.

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 gave both Mr H and Mrs H and Lloyds until 4 April 2022 to accept or reject my provisional decision. Both parties have accepted my provisional decision, but Lloyds pointed out it was unable to amend the direct debit date to the 29, 30 or 31 of the month, so it offered two options for Mr H and Mrs H to consider. The first option was to continue to make a payment each month by another method other than direct debit, ensuring it was made on time and in full. Or secondly, it would agree a one-month payment holiday so that the CMP due date could change for the following month.

Lloyds wanted to make clear that by choosing this second option Mr H and Mrs H should be aware *"the suspended payment and interest is still being added, and therefore the mortgage account balance will increase. Also, the total amount repaid at the end of the mortgage may also increase."*

After these options were put to Mr H and Mrs H they chose to take the second option.

So while not changing the outcome of my provisional decision, I am satisfied the option agreed by both parties is a sensible way forward here, and I will leave it with Mr H and Mrs H

to contact Lloyds to discuss the future dates for the CMP's going forward.

Putting things right

I instruct Lloyds Bank plc to amend Mr H's and Mrs H's credit file to show a payment arrangement for the month of July 2018 and record that the subsequent payments were made in full and on time up to date of settlement. Additionally, as agreed I instruct Lloyds Bank plc to put in place a one-month payment holiday on Mr H's and Mrs H's mortgage account, without this having any adverse markers on their credit file.

My final decision

My final decision is that I uphold this complaint.

I instruct Lloyds Bank plc to amend Mr H's and Mrs H's credit file to show a payment arrangement for the month of July 2018 and record that the subsequent payments were made in full and on time up to date of settlement. Additionally, as agreed I instruct Lloyds Bank plc to put in place a one-month payment holiday on Mr H's and Mrs H's mortgage account, without this having any adverse markers on their credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 18 April 2022.

Barry White
Ombudsman