DRN-3418845

The complaint

Mr R complains about how TSB Bank plc managed his mortgage at the end of a coronavirus payment deferral. He complains that it took two payments in error, gave him misleading information and recorded incorrect information with the credit reference agencies.

What happened

Mr R has mortgage with TSB Bank plc. Unfortunately his income was affected by the covid-19 pandemic and he took a payment deferral, ending in September 2020.

Mr R was unable to start making payments again when the payment deferral ended. So he agreed with TSB that he would not make payments in October, November or December 2020. TSB explained at the time that while it would accept this arrangement, the missed payments would be treated as arrears and show as such on his credit file.

In December 2020, Mr R found himself able to start making payments again, but missed making his payment by the due date. But a few days later, he made the full December payment, plus a very small overpayment. This brought his mortgage down to just under two months' payments in arrears.

In January 2021, Mr R made a manual payment. He spoke to TSB and he says TSB told him that no further payment would be collected until February. But despite this, TSB collected his regular direct debit a few days later – meaning Mr R had made two payments in January. He said that this meant that he didn't have the money he needed to pay other bills and had to borrow from friends and family.

Mr R checked how his mortgage was being reported to the credit reference agencies. One agency, Clearscore, showed that he had missed payments in October November and December 2020, and in January 2021 – four months' missed payments in total.

Mr R complained. He said that TSB had given him misleading information. It had taken two payments in January. And it had mis-reported his mortgage to the credit reference agency.

TSB accepted that it hadn't communicated well with Mr R. It offered £375 compensation. But it said it had given accurate information to the credit reference agencies, and it wasn't responsible for how Clearscore had shown it.

Our investigator thought TSB's offer of compensation was fair. He said that TSB had given correct information to the agencies and that Mr R might need to complain to Clearscore if it had not displayed what TSB had told it correctly.

Mr R didn't agree. He asked for an ombudsman to review his complaint. He said TSB had a responsibility to make sure his mortgage was being reported correctly. It should work with Clearscore to ensure that happened, and shouldn't be allowed to escape responsibility for how Mr R's mortgage was being reported.

I took a different view of the complaint to the investigator, so I issued a provisional decision to allow the parties to comment on my thinking.

My provisional decision

In my provisional decision, I said:

I've reviewed what TSB submitted to the credit reference agencies, and I'm not persuaded it was accurate.

This was the reporting for the period in question:

Period	Payment status	Account status	Balance
Sep 2020	0	OK	466321
Oct 2020	1	AA	467127
Nov 2020	2	AA	467908
Dec 2020	1	AA	465403
Jan 2021	1	AA	432846
Feb 2021	1	AR	460258

The number in the "payment status" column means the number of monthly payments by which the account is in arrears. In September it was not in arrears because Mr R was in a coronavirus payment deferral, so "0". In October he did not make his payment, so it was one month in arrears – "1". In November the same, so "2". In December, he paid very slightly more than the monthly payment, which was enough to reduce the arrears to just below the equivalent of two months' payment – so back to "1" (the figure is rounded down not up). This continued as Mr R cleared the arrears over the following months, until it was back to "0".

The "account status" column contains codes that give the current status of the account. "OK" means the account is performing as expected, "AA" means it is in arrears, and "AR" means it is in arrears with an arrangement in place.

"OK" is correct for September 2020 because of the payment deferral.

When the deferral ended in September, Mr R couldn't yet resume payments. Under the regulator's tailored support guidance for borrowers coming off payment deferrals, TSB agreed a payment arrangement of nil payments for three months – in other words, it agreed that it would not expect any payment in those months, but that this would be treated as arrears not as a deferral. Mr R understood and accepted this at the time and TSB confirmed the arrangement to him in a letter dated 7 October 2020.

In fact, Mr R did not need the full three months and resumed making payments in December.

In January 2021, TSB called Mr R to discuss the arrears. Mr R wanted to put an arrangement in place of making the monthly payment plus £500. TSB's adviser explained that they would need to go through his income and expenditure to see whether that was affordable, but according to TSB's notes Mr R didn't want to do that so no formal arrangement was put in place.

On 16 February 2021, TSB called Mr R again and this time Mr R did go through his income and expenditure and a payment plan of £500 plus the monthly payment was put in place.

It's reasonable for TSB to want to discuss Mr R's income and expenditure. He had recently been unable to pay his mortgage, so it needed to make sure that increased monthly payments were affordable and sustainable for him.

Therefore, it's reasonable that TSB reported "AA" rather than "AR" for January 2021 – since Mr R was in arrears and not in an arrangement. He was in arrears because he hadn't yet made up the payments he had missed in October and November. And he was not in an arrangement since the previous one had ended in December, and he hadn't wanted to discuss his income and expenditure so TSB couldn't agree a new one.

However, it's not in my view fair that TSB reported "AA" in October November and December 2020, since in those months Mr R *was* in an arrangement – TSB had agreed he did not need to make any payments. Even though Mr R did not need the arrangement in December it still existed. In those months it should have reported "AR" not "AA".

Therefore, I think TSB should amend its reporting to the credit reference agencies. I have highlighted in bold where I think changes should be made:

Period	Payment status	Account status	Balance
Sep 2020	0	OK	466321
Oct 2020	1	**AR**	467127
Nov 2020	2	**AR**	467908
Dec 2020	1	**AR**	465403
Jan 2021	1	AA	432846
Feb 2021	1	AR	460258

I'm satisfied that this has caused Mr R some further upset beyond the mistake with collecting his January direct debit and the earlier communication difficulties. I note TSB has already offered £375 compensation, and I intend to increase that to £500.

However, while TSB is responsible for how it reports to the agencies, it is not responsible for how the agencies display information about Mr R's credit history.

Mr R is particularly concerned about what appears on his Clearscore file. Clearscore is not one of the three main agencies that lenders report to direct. It's a free service that takes and simplifies data from one of the main agencies.

Clearscore doesn't show the detailed data I have put in the table above. It simply shows a coloured dot for each month. Black for payment made, and pink for missed payment, on the example of his file Mr R gave us. Mr R had black dots for all months apart from October 2020 to January 2021, which were pink.

It may be that Clearscore interprets “OK” and “AR” as payment made – black dot – and “AA” as payment missed – pink dot. If that’s so, then when TSB corrects its reporting to the three main agencies, the dots for October November and December may switch to black.

As I’ve set out above, Mr R did in fact make his payment for January. And TSB reported as such to the agencies (the balance reduced and the payment status remained at “1”). If Clearscore continues to interpret “AA” for January as a pink dot despite that, then that is not something TSB is responsible for and something Mr R will need to take up with Clearscore.

The responses to my provisional decision

TSB accepted my provisional decision.

Mr R said that he broadly agreed. But he said that he had tried to reinstate the direct debit in mid-November so that his December payment would be collected as normal. TSB did not do this and so he had to make a manual payment. And in January 2021, when the direct debit was collected, that meant he had made a double payment which he had to recover through the direct debit guarantee, which caused him inconvenience.

Mr R said that he would complain directly to Clearscore, but he wanted TSB to work with him and Clearscore to make sure Clearscore reports information accurately. He has complained to Clearscore, to the main credit reference agencies and to TSB many times and each refers him to the other and refuses to take responsibility. He said that as a result he had spent over 120 hours trying to resolve this complaint. He didn’t think £500 compensation fairly reflected that, and suggested that £1,200 – his time at £10 an hour – was the minimum that could be considered fair.

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’ve also considered again what I said in my provisional decision in light of the responses to it. Both parties accepted the substance of my decision, in terms of how to correct Mr R’s credit file. What remains at issue is the level of fair compensation in this case – and to what extent TSB is responsible for what Clearscore reports.

I’ve thought carefully about what Mr R has said, and I’ve noted his comments about the level of compensation. I’m sure this has been a frustrating experience for him. But at least part of his frustration – and the time he’s put into resolving things – has been because of his dealings with the credit reference agencies rather than TSB.

I also don’t think it’s appropriate to award compensation based on the amount of time Mr R says he’s spent at a notional hourly rate. Mr R hasn’t suggested that there’s been actual financial loss – for example, that he’s been unable to work because of this complaint. Rather, he’s attached a notional value to the time he’s spent outside working hours.

In those circumstances, I don’t think an hourly rate is appropriate. The appropriate way to determine compensation for his non-financial losses – for the upset and the inconvenience this issue has caused – is to step back and look at matters in the round. In doing so, I’ve taken account of the overall impact this matter has had on Mr R, and I’ve thought about it more broadly in the context of the sorts of awards made by the Financial Ombudsman Service in cases like this. I’m satisfied that £500 represents fair compensation.

I don’t think it would be right for me to direct TSB to take any particular action in respect of Clearscore. TSB’s obligation is to provide correct information to the main credit reference agencies. Once the changes I have outlined above have been made, it will have done that. It's not responsible for what other companies then do with that data, or how they choose to interpret or display it. If Mr R remains unhappy about that, he will need to take that up with Clearscore himself.

My final decision

For the reasons I’ve given, my final decision is that I uphold this complaint and direct TSB Bank plc to:

- Correct its reporting to the credit reference agencies to show “AR” for October November and December 2020; and

- Increase the total compensation offered to Mr R to £500.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R to accept or reject my decision before 20 May 2022.

Simon Pugh
Ombudsman