

The complaint

Mr H complained that markers wrongly recorded on his credit file by Bank of Scotland plc trading as Birmingham Midshires ("BM") prevented him from getting a mortgage. He wanted BM to pay £1,000 in compensation for the impact this had on him.

What happened

Mr H had a buy to let mortgage with BM, on a property he was selling. The property was empty while Mr H was waiting for the sale to go through, so in April 2020 Mr H agreed a payment holiday on this mortgage with BM, for three months. That payment holiday wasn't properly recorded by BM, so the missed payments affected Mr H's credit file.

Mr H said he only discovered this in June 2021, when he applied for a new mortgage. He asked BM then to amend his credit file.

BM wrote in reply to Mr H's complaint then. It accepted that his credit file shouldn't have any missed payment markers for April, May or June 2020. But BM said Mr H should have known that there were problems with his mortgage payments for around that time, because it sent him an arrears letter on 27 May 2020. So it thought he could have complained about problems with the payment holiday earlier.

BM also said that Mr H's payment holiday was only ever agreed for three months. And he then didn't pay for a fourth month. He missed the payment in July 2020, when the sale was about to complete. So BM's letter said it wouldn't remove a missed payment marker for this month.

BM now says something different. It says that the missed payment markers it placed on Mr H's credit file were actually for May, June and July 2020. That's because it records this information one month after a payment is missed. BM has removed these markers. And it said it never put a missed payment marker on Mr H's credit file for August, because his mortgage was redeemed in that month.

But BM didn't tell Mr H that. When it wrote to him in June 2021, it just said it would only remove three of the four missed payment markers. It didn't tell him that there were only ever three of these markers.

Mr H said he was left unable to get credit for his family, including for Christmas shopping. And he was unable to get a mortgage. He said he was left in this position longer than he should've been, because he didn't know his credit file had actually been cleared. And he still felt it was BM's fault that his mortgage application in June 2021 had been turned down. So Mr H wanted significant compensation for this.

Our investigator said that BM had offered £250 for Mr H's complaint, and £18 for call costs. She thought it should pay £100 more than that.

Our investigator said BM had acted quickly to put things right, when Mr H had complained about the payment holiday showing as missed payments on his credit file. She thought BM should also have told Mr H that there were no negative markers on his credit file, when it replied to his complaint in June 2021. Instead, it said there was one, which it wouldn't take off. Our investigator said that wasn't fair or reasonable, and it was this point that made her think BM should pay £100 more in compensation.

Our investigator said Mr H had told us he couldn't get a mortgage because of the incorrect reporting by BM. But she said she couldn't say if that was the case, because she hadn't seen his full credit file.

BM accepted our investigator's view. But Mr H said this didn't compensate him enough for what had gone wrong. He said this was why he was turned down for a mortgage, and then no one had the decency to tell him his credit file had been rectified, meant that he still thought he was blacklisted for a further six months, while our service looked into this.

Our investigator said she would need more information to see if Mr H's mortgage application in June 2021 would otherwise have been successful. Mr H sent us his credit file, and there were no other adverse markers on there. But Mr H wasn't the sole applicant for the June 2021 mortgage. And Mr H said he wasn't going ahead with a new mortgage application now, because of problems on the other applicant's credit file. Although Mr H said these problems were new, and wouldn't have affected the June 2021 application, our investigator said she still couldn't tell if the mistake by BM was the only reason this joint application had been turned down in June 2021.

Mr H still thought he should be paid more compensation, for the time between the complaint letter he received from BM (which wrongly told him his credit file still had a missed payment marker) and the information from our service which told him there were no negative markers from BM. He said he had to borrow informally from friends during this time, although he said he wasn't able to provide evidence of that either, as it was in cash.

Our investigator thought total compensation of £368 remained fair. Mr H disagreed, he wanted us to take account of the embarrassment he'd felt over his name being blacklisted. He said he would accept £1,000 to bring this complaint to a close, and he thought that was reasonable. He didn't think £100 was enough.

Our investigator stressed that Mr H was being offered a total compensation amount of £368, and bearing in mind all the circumstances, she thought that was a reasonable amount.

Mr H wanted his complaint to be considered by an ombudsman, so it came to me for 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've reached the same overall conclusion as our investigator.

Both sides accept that there were negative markers on Mr H's credit file, which ought not to have been there. Both sides also accept that Mr H wasn't told straight away that these had all been removed.

When I look at a complaint, and I can see that something has gone wrong, I have to think about the impact this had. And I also have to think about what both sides could have done to avoid this. So that's what I've done here.

Mr H said he didn't know that there was a problem with his credit file until he applied for a mortgage in June 2021. But BM has pointed out that it sent Mr H a letter about his mortgage arrears on 27 May 2020. That letter was, BM accepts, quite wrong – Mr H should have been in a payment holiday then. But BM does say that this letter ought to have let Mr H know, well before his mortgage application, that there might be a problem with this mortgage. And I think that's right. So I don't think that there was no way Mr H could have realised there were problems with his credit file before he made his June 2021 mortgage application.

We know the June 2021 mortgage application was turned down for credit scoring. But the bank Mr H applied to can't tell us more than this, because the application failed at an early stage. We also know that Mr H was applying jointly with someone else. And we don't know what that person's credit file showed in June 2021. We do know it has missed payments now, which mean Mr H still can't get this mortgage.

Like our investigator, I don't think that I can assume this joint application would have gone ahead without problems in June 2021, if it hadn't been for BM's mistake.

For those reasons, I don't think I can reasonably ask BM to increase the compensation in this case, because Mr H's joint mortgage application of June 2021 wasn't successful.

Mr H also said he wasn't able to buy items on credit while he understood that there were still black marks on his credit file. And he didn't know that his file was cleared until we told him this. So he said his only option was to borrow money from friends, which he told us caused him significant embarrassment.

Mr H has sent us his credit file for 2022, and it shows that he held a credit card. That card does seem to have had available credit, for all of 2021. I do understand that this lending may sometimes be more expensive than special offers provided by retailers. But I don't think I can say Mr H had no access at all to credit during the latter half of 2021, or that he had no option but to borrow from friends during this period.

I do still think that BM made a significant mistake here, in putting negative markers on Mr H's credit file. And it then didn't tell Mr H when it had removed all of those markers. But, because I think Mr H ought to have been aware of these issues before he made his mortgage application, and because I haven't been able to conclude that it's most likely that these issues had the full impact which Mr H has described, I do think the payment our investigator suggested, of £368, provides a fair and reasonable outcome to this complaint.

That's what I'll now award. I haven't been able to see that BM has yet paid the part of this award that it initially offered. But if it has since been paid, then I'll allow it to offset that amount against this award.

My final decision

My final decision is that Bank of Scotland plc trading as Birmingham Midshires must pay Mr H £368. Bank of Scotland plc trading as Birmingham Midshires can offset against this amount any compensation it has already paid for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 July 2022.

Esther Absalom-Gough
Ombudsman