

The complaint

Mr K has complained about Nationwide Building Society adding arrears markers to his credit file following a Covid relief payment holiday in 2020.

Background

Mr K has a personal loan with Nationwide. In March 2020 following the first Covid lockdown the Financial Conduct Authority ("FCA") released guidance to credit providers allowing consumers to apply for payment holidays on existing forms of credit such as loans, credit cards or mortgages. These payment holidays allowed consumers to have a break from making their normal monthly repayments without arrears markers being added to their credit files. Firms were still allowed to charge interest on the missed repayments but were asked to recalculate or extend the loan at the end of the break to give consumers time to repay the outstanding balance at the end of the payment holiday.

Mr K applied for such a payment holiday from his Nationwide loan repayments, and this was approved in April 2020. This first three-month break came to an end in June 2020 at which time Mr K contacted Nationwide to discuss his options. At that time, he was given some incorrect information regarding a second payment holiday and asked to complete an income and expenditure form by the person he spoke to. This wasn't necessary as Mr K was entitled to take a second payment holiday, which he ultimately did, and that ran from July 2020 until October 2020.

When the second payment holiday came to an end Mr K contacted Nationwide again. At this time, he was told he would have to complete another income and expenditure form in order for his loan to be recalculated and the additional interest now due added into the overall amount owed. Mr K was extremely frustrated by this request as he had found the previous, and unnecessary, conversation in June very invasive and he didn't understand why Nationwide couldn't just extend his loan by six months and keep the monthly repayment amount the same. So, he refused to complete the form and began making monthly payments to the amount he had been paying prior to taking the payment holiday.

However, Mr K then discovered that Nationwide had incorrectly added arrears markers to his credit file for payments due during the payment holiday. He had applied for a mortgage with Nationwide in September 2021 but was unsuccessful and believes this was due to the markers impacting his overall credit score. He has also told us that he was contacted around this time by another credit provider, "B", whom he had two credit cards with telling him it was reducing the credit limit on both cards. Mr K believes B only reduced his card limits because of the incorrect markers on his credit file.

Nationwide accept that Mr K has received poor customer service in regard to the payment holiday, what happened when he contacted it in June 2020 and that arrears markers were added to his credit file in error. However, it doesn't accept that the markers were the only reason he was unable to obtain the mortgage he wanted in September 2021 and has confirmed these weren't the only things it considered when assessing the application. It apologised to Mr K and offered a total of £175 for the upset and inconvenience caused by the incorrect information he was given and the incorrect application of the markers on his

credit file.

Mr K didn't accept Nationwide's offer as he didn't think it went far enough to acknowledge the distress and upset caused to him and his wife following the loss of the house they had wanted to purchase. Mr K has said he lost fees paid to mortgage brokers as well as the inconvenience of losing the available credit with B. He wants Nationwide to write off the balance of his loan, which at the time of his complaint was approximately £18,000.

Nationwide didn't agree to write off the balance and so Mr K brought his complaint to our service to be reviewed. One of our adjudicators looked into Mr K's complaint already. She found that the markers had stayed on Mr K's credit file up until summer this year, although it was unclear whether that was the result of an error on Nationwide's part, or an error made by the credit reference agency. However, she did think that Nationwide had taken far too long to try to resolve the matter for Mr K. She accepted that the markers on his credit file would likely have impacted his mortgage application but was unable to find that it was the sole reason the application was declined. She suggested that Nationwide pay Mr K an additional £450 compensation, bringing the total amount to £625 for the upset the errors had caused.

Nationwide agreed with the adjudicator's findings, but Mr K didn't and so the complaint has been passed to me for consideration.

Findings

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

The details of this case are lengthy and well known to both parties and so I will not repeat them in full here. I'm very aware that I've summarised this complaint very briefly, in far less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here, whether or not the proposed compensation put forward by the adjudicator is sufficient.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Nationwide accept that it incorrectly added markers to Mr K's credit file following the end of the second payment holiday in 2020. However, it disputes that these were the sole reason for Mr K's mortgage application in September 2021 being declined. In order to better understand why Mr K's application was unsuccessful at that time we asked for Nationwide to provide some information around the underwriting decision it made at that time. Having reviewed this I am satisfied that, while the markers likely impacted the decision made by Nationwide, they weren't the only thing taken into consideration at the time his application was processed.

In order to try to understand more about the impact of the markers our adjudicator asked Mr K to provide a copy of his credit file so she could consider whether there was any other information that may have impacted the decision made by Nationwide. However, Mr K never provided this information despite multiple requests to do so.

This means I can't safely say that if the markers hadn't been registered on Mr K's credit file his mortgage application would've been successful. I know Mr K will disagree with me on this point and I am unable to disclose the details of the information provided by Nationwide as its

lending criteria is commercially sensitive. But I hope he gets some reassurance from knowing we asked for this evidence and have reviewed it in detail.

Mr K has also said that B reduced his credit limit on two credit cards because of the markers on his account. Again, it's unclear whether or not this was the reason behind B's decision, as it's unclear what Mr K's other credit obligations were. I can confirm that in early 2021, following the initial impact of the Covid pandemic, B made the decision to reduce credit limit facilities for a lot of its customers. Many people who held credit cards with B had their limits reduced at this time and so, without a clearer understanding of his personal commitments at the time, I'm unable to find that Mr K's limits were reduced solely because of the markers on his credit file.

In regard to the markers themselves, it does appear that this issue went on for much longer than it should've. Mr K notified Nationwide about the markers in November 2020. In January 2021 Nationwide wrote to Mr K apologising for the error and promised to amend his credit file. In February 2021, when the markers were still on Mr K's file Nationwide offered to pay him £75 compensation and promised again to remove the markers.

However, the markers continued to be reported by a single credit reference agency despite Nationwide repeatedly requesting they be removed. By this time Mr K had brought his complaint to our service and during our adjudicator's investigation Nationwide realised that one credit reference agency was still reporting markers on Mr K's loan and that the loan itself was being duplicated on its records. Despite repeated requests from Nationwide, it took until June of this year for the duplicate arrears to be removed by the credit reference agency and for Mr K's record with it to be brought into good order.

It is worth noting that the problem regarding the duplication of the loan and reporting of markers only relate to a single credit reference agency. The other agencies all amended their records correctly when Nationwide updated Mr K's account information. So, it is possible that the loan duplication and arrears reporting were the result of an error made by the credit reference agency and not the result of Nationwide providing incorrect information to it.

Nationwide has now confirmed that the information held by all credit reference agencies is correct and there are no arrears markers on Mr K's file in relation to this loan. Mr K's loan has also since been rewritten and the account is up to date. In August 2021 Nationwide had written to Mr K regarding the markers on his file and offered an additional £100 in recognition of the fact that they hadn't been removed fully. That brought the total amount of compensation offered by Nationwide to £175.

I appreciate that Mr K feels very strongly that the offer put forward by Nationwide was insufficient and didn't acknowledge the impact the markers had had on him and his family. Compensation is a very personal thing and I know Mr K holds Nationwide solely responsible for the problems he had securing a mortgage in September 2021. And, like our adjudicator, I agree that £175 is not a fair amount in regard to the upset caused.

However, I also don't agree that Nationwide is obliged to write off the remaining balance on Mr K's loan, which was substantial. I agree with our adjudicator that an additional £450 compensation, on top of the £175 already offered, is a reasonable amount and recognises the distress caused. I say this because I am unable to conclude that markers on Mr K's credit file were the sole reason his mortgage application was declined. I do understand that this has taken far too long to remedy for Mr K but as I mentioned above based on the information I've seen I can't safely conclude that all of the problems experienced by Mr K are the result of errors made by Nationwide. So, it would be unreasonable for me to ask it to compensate Mr K in this way.

Putting things right

Nationwide Building Society should pay Mr K a total of £625 compensation in recognition of the distress and inconvenience cause.

My final decision

For the reasons set out above I am partially upholding Mr K's complaint against Nationwide Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 29 December 2022.

Karen Hanlon
Ombudsman