

The complaint

Mr M is unhappy that Bank of Scotland plc ("BOS") reported a default to his credit file incorrectly, which meant that a mortgage application he made was rejected.

What happened

Mr M applied for a mortgage in November 2021. The application was rejected because of a default which had been reported on Mr M's credit file with an incorrect start date by BOS, and which had meant the default was still present on Mr M's credit file at a time when the six year term that the default should have been reported for had ended. Mr M wasn't happy about what had happened, so he raised a complaint.

BOS looked at Mr M's complaint. They accepted they'd reported the default with an incorrect start date, and they apologised to Mr M for this and agreed to correct his credit file. BOS also made a payment of £350 to Mr M as compensation for loss or upset he may have incurred. Unfortunately, BOS later repeated the incorrect credit file reporting, and they made further distress and inconvenience compensation payments totalling £125 to Mr M because of this.

Mr M wasn't satisfied with BOS's response and didn't feel that the compensation BOS had paid took full account of the loss he'd incurred by not being granted the mortgage he'd first applied for. So, he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt that the response that BOS had already made to Mr M's complaint, including the payments of compensation, already represented a fair outcome to what had happened. Mr M remained dissatisfied, so the matter was escalated to an ombudsman 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 issued a provisional decision on this complaint on 28 September 2022 as follows:

Mr M had provided documents and correspondence to this service which I'm satisfied does in all likelihood demonstrate that the mortgage he applied for was declined solely on the basis of the incorrectly reported BOS default. These documents include correspondence from Mr M's mortgage broker advising that the adverse credit reporting is the reason for the mortgage offer being withdrawn, as well as Mr M's credit file, which shows no other adverse reporting which I feel would have negatively impacted his mortgage application.

Mr M has provided a copy of the mortgage illustration for the mortgage he wasn't ultimately granted, and this shows that Mr M would have been on fixed rate payments from December 2021 until February 2027 of £303.52. Mr M has also provided confirmation that, when the credit file reporting issues were initially resolved, he was able to obtain a mortgage with fixed monthly repayments of

£312.13, which began in February 2022 and will end in February 2027. Mr M has also provided confirmation that he was making payments of £322 per month to his mortgage up to February 2022, when he was able to successfully re-mortgage.

Based on the above, I calculate that amount that Mr M will pay in the period December 2021 to February 2027 as being £19,371.80. This is against the amount I calculate that he would have paid, had he been able to take the mortgage he applied for in November 2021, as being £18,818.24.

The difference between these two amounts is £553.56. And given that I feel that the reason Mr M wasn't granted the mortgage he applied for in November 2021 was most likely solely because of BOS's error, I don't feel it's fair that Mr M should be expected to bear the additional cost of the mortgage he was later able to obtain.

BOS have already made compensation payments to Mr M totalling £475, but these compensation payments were primarily for the trouble and upset that Mr M had incurred surrounding this matter. And while the letter detailing the first compensation payment of £350 made by BOS to Mr M, dated 3 December 2021, does reference that the amount was for both upset and inconvenience and also the financial impact of what had happened, given the emphasis on the upset and inconvenience in that letter I feel it's reasonable to consider the majority of this £350 payment as being made for that upset and inconvenience.

All of which means I feel BOS should make a further payment to Mr M to cover the additional expense that he's incurred as a result of his not being granted the mortgage he applied for in November 2021. And in consideration of all the above, I feel that a further payment of £450 would fairly address this matter and provide a fair outcome to what has happened.

As such, my provisional decision is that I'll be upholding this complaint in Mr M's favour and instructing BOS to make a further payment of £450 to him for the reasons explained above.

Both Mr M and BOS have confirmed that they're happy to accept my provisional decision, although Mr M did explain that I had misunderstood the compensation payments that he'd received and that only one payment of £350 had been received from BOS, and not payments totalling £475 as I'd incorrectly outlined in my provisional decision.

I'd like to apologise to Mr M and BOS for my misunderstanding. However, this misunderstanding doesn't affect the outcome reached in my provisional decision, as it was only the payment of £350 that I assessed as having any reference to losses incurred and which I took into consideration when provisionally instructing BOS to pay a further £450 to Mr M.

As such, I see no reason not to issue a final decision upholding this complaint in Mr M's favour on the same basis as outlined in my provisional decision letter above, and I can confirm that I do uphold this complaint on that basis accordingly.

Putting things right

BOS must make a further payment of £450 to Mr M.

My final decision

My final decision is that I uphold this complaint against Bank of Scotland plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 November 2022.

Paul Cooper
Ombudsman