

The complaint

Mrs S' complaint is about the mortgage she has with OneSavings Bank Plc (OSB). She is unhappy about the issues encountered in making the monthly payment from January 2021 onwards, the information OSB required at that time and the poor service she received.

What happened

Mrs S took out a mortgage with OSB in 2007. Prior to the problems from the beginning of 2021, Mrs S was transferring money onto a pre-paid credit card in Mr S' name, and he was telephoning OSB each month to make the mortgage payment. Sometimes the payment made was for more than the contractual monthly instalment (CMI).

In October 2020 OSB called Mrs S to check up on the payments as they were being made by Mr S. She explained how the payments were being funded and OSB asked her to send it copies of her bank statements and the credit card statements to evidence the arrangement. Mrs S said she would do so and the address for these documents to be sent to was given. It doesn't appear that Mrs S sent in the requested information.

OSB accepted further card payments from Mr S for November and December 2020. However, when Mr S called on 22 January 2021 to make that month's payment, he was initially told there were system issues that prevented payment being taken and then it was explained that OSB needed some proof of identification and evidence of the source of funds because the mortgage was being paid by a third party. Mr S agreed to email the requested information.

Three days later Mr S telephoned OSB to make the mortgage payment. He was told that was not possible as the information requested hadn't yet been reviewed. Mr S was not happy about how the account had been handled and that he hadn't been able to make a payment; he asked to speak to a manager. It was confirmed that someone would call Mr S back in 24 to 48 hours. Mr S called again the following day and the timescale for the call back was confirmed – he said he would wait until the following day.

On 27 January 2021 OSB called Mr S back and explained that it needed sufficient documentation to evidence the source of funds before a payment could be taken. Mr S agreed to send information, but remained unhappy and the information requested was added to the complaint issues.

OSB responded to the initial complaint on 1 February 2021. It explained that when Mr S had tried to make a manual payment on 22 January 2021, its systems had failed and so it was initially unable to process the payment. On the third attempt, Mr S was told he needed to provide some documentation to allow the payment to be processed. Unfortunately, OSB then gave Mr S incorrect information about its opening times. It apologised for this mistake and confirmed the misinformation was not deliberate. In relation to the concerns about Mr S not having been able to make Mrs S' CMI, OSB explained that while it was awaiting information about the source of funds, nothing would be reported about missed payments on her credit file.

On 2 February 2021 Mr S called again as a text message had been received. He asked that a manager call him back as he wanted to know why the situation hadn't been sorted out. Mr S was told the text was automated and could be ignored until he sent the requested documents in.

Two days later OSB had assessed the information from Mr S and decided that it would accept a direct debit arrangement from Mr S' current account, but it wouldn't accept card payments going forward. Mr S was told this the same day, and he was not happy that he wasn't able to continue using the same payment method as before. He asked for a manager to call him back.

On 8 February 2021 Mr S called again, having not been called back by OSB. He commented that the complaint response of 1 February 2021 didn't answer all the complaint points that had been raised. Mr S was told that this would need to be registered as a new complaint, and Mr S confirmed that this was why he had wanted to speak to a manager.

A manager called Mr S back the following day. It was explained to Mr S that where payments were made by a third party, OSB needed the payments to be made by either direct debit or standing order. Mr S said that he would arrange a transfer for the January payment and then payments going forward would be made on time. He asked that Mrs S' credit file for January be updated as he had tried to make the payment. Complaint points about OSB not explaining why a card payment couldn't be made in January 2021 and damage to Mrs S' credit file were added to the complaint.

Mr S called on 18 February 2021 to discuss Mrs S' mortgage. Initially, a mistake was made, and the call handler incorrectly thought he didn't have authority to discuss the mortgage. Subsequently it was reiterated that OSB would only accept payments by bank transfer. He asked for a call back from the manager he had spoken to on 9 February 2021. Mr S also confirmed that a payment had been made on 11 February 2021 and it was confirmed that the payment wasn't showing on the account. A search for the payment was initiated.

The manager called Mr S back later that day. She explained that the payment had been received, but some final checks were being done, which was why it hadn't been applied to the mortgage. However, once the checks were complete, the payment would be applied and backdated to when it was received. Mrs S' credit file would also be amended if necessary. Mr S was told that once the checks were complete, payment would go through ok, but would be subject to periodic checks for regulatory reasons. Mr S said that he would be changing the account he would be paying from the following month, and he was told that this might cause further delays as the payment source would have to be verified.

A further complaint response was sent on 23 February 2021. OSB confirmed that it had never accepted payments from credit cards and this is because they need to be able to provide an audit trail to show where the money is coming from. It apologised for not providing a reason at the time Mr S had been told he would need to pay by direct debit. It also apologised for the fact that the call back from a manager hadn't happened.

In relation to Mr and Mrs S feeling that a member of OSB' staff was bullying them, it concluded that the correct processes had been followed, but the member of staff could have explained things better regarding the need to make payment from a personal bank account in Mrs S' name. As for OSB having refused to speak to Mr S on 18 February 2021, this was due to human error and the belief that the letter of authority had expired. It apologised for the poor service.

OSB also confirmed that when a new account is used, checks need to be done and, if they are successful, the payment would be back-dated and there would be no affect on Mrs S'

credit file. However, arrears letters were generated automatically, and it was not possible to stop them being sent, which is why one had been sent to Mrs S. It confirmed that the payment made on 11 February 2021 had been applied to Mrs S' mortgage account and no negative reporting had been made on her credit file. To compensate Mrs S for the poor service she'd received, OSB paid her £50.

On the same day a payment was received for £99, which OSB rejected as it was an ad-hoc amount. This was because OSB had decided that it would only accept payments of the amount of the CMI and not ad-hoc payments. It doesn't appear that Mr or Mrs S were informed about this decision at the time it was made.

Two days later Mr S called to see if a second payment had been received. It was confirmed that it was not showing on the account, but it was later traced as having been received – this payment was also rejected as it was not for the amount of the CMI. Mr S called on 26 February 2021 to question why the payment made on 23 February 2021 had been returned. The reason was confirmed. Mr S was very unhappy with this information and complained. Mr S also said that he was unhappy that Mrs S was still receiving arrears letters, despite being told this would stop. It doesn't appear that Mr and Mrs S subsequently arranged for the amount of the CMI to be transferred as a single transaction. As such, the mortgage fell into arrears.

On 3 March 2021 Mr S called, after Mrs S received a text prompting contact. It was explained that OSB had wanted to speak to Mrs S as the account was in arrears. The information about ad-hoc payments was repeated. Mr S asked for a call back to gain more clarity as to why he could only pay the exact amount of the CMI. Further calls were exchanged, and additional complaint points raised.

On 15 March 2021 Mr S made a payment to Mrs S' mortgage of £401. It was returned by OSB on 23 March 2021 as the account Mr S had sent the money from was in a business name, and OSB had been unable to verify whether the business was a limited company or a sole trader. If the former, the payments couldn't be accepted, as it was against OSB's policy to accept payments from a limited company for a personal mortgage. It doesn't appear that this question was raised with Mr or Mrs S at that time, although it was subsequently.

On 16 March 2021 Mr S called OSB wanting to make a payment by card over the telephone. He was told that it would only accept payments from his bank account, as he'd previously been told.

A third final response letter was issued by OSB on 16 March 2021. It apologised for Mrs S' representative being told that a specific member of the management team would call him back, as a call back from a specific individual shouldn't have been agreed. OSB went on to explain that money laundering regulations required it to make checks on payments and so it was satisfied that it hadn't made any mistakes about the checks it had insisted on for Mrs S' payments. It also pointed out that the restrictions placed on the payments being made was due to the fact that Mrs S' representative was making the payments. However, it explained how an accelerated repayment arrangement could be set up. In addition, it was confirmed that the payment due on 25 February 2021 hadn't been paid, and as such, the mortgage was in arrears. In relation to the arrears letters, it referred Mrs S back to its previous explanation given.

Mrs S was unhappy with OSB responses and referred her complaint to the Financial Ombudsman Service. Mr and Mrs S provided evidence that showed that since the issues from January 2021 Mrs S' credit score had deteriorated considerably. They believed this was

due to the two missed payments OSB had recorded against the mortgage by the beginning of May 2021.

One of our investigators considered the complaint and recommended that it be upheld in part. She considered the service failings made by OSB were such that a compensation payment of £250 was merited. In addition, Mrs S' credit file should be cleared of any adverse data relating to a missed payment in February 2021 because the payment had been made, but then inexplicably refunded by OSB.

Mrs S accepted the investigator's conclusions. Mr S told us that there had been consequences to the missed payment marker, including a refusal to port the mortgage, charges having been applied to the mortgage and arrears letters being received. In addition, it was confirmed that further payments had been rejected by OSB.

OSB rejected the investigator's conclusion as it considered the compensation payment it had offered was sufficient in the circumstances. It asked that the complaint be referred to an ombudsman. Subsequently, it provided further information, including that relating to why payments had been rejected and its policies about third party payments. It confirmed that third party payments were not something it usually allowed and had continued to do so as an exception for Mrs S. It also provided details of the payments made to the mortgage.

Our investigator reviewed her conclusions in light of the further information provided by OSB. As no payments were made in some months, she found that it was not unreasonable for OSB to have recorded missed payments on Mrs S' credit file.

Mr S, on behalf of Mrs S, didn't accept the investigator's revised conclusion. He said that he had sent OSB the money that it had asked for, but it had sent it back for no reason. He said that OSB hadn't helped Mrs S and had only threatened her. He asked how that was fair. The investigator provided some further information about the payments that had been made and the arrears on the account. Mr S didn't think that Mrs S had been treated fairly and asked that the complaint be referred to an ombudsman.

I issued a provisional decision on 13 October 2022, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Before I comment on the merits of the complaint, I would confirm that I will only be considering the events up to the point that OSB issued its most recent final response letter in March 2021. While I am aware that further things have happened, including a porting request being rejected and further payment issues, Mrs S' concerns about those events should be referred to OSB in the first instance, and before we can become involved. OSB has explained that under money laundering regulations it has a responsibility to ensure that the money paying a mortgage comes from a legitimate source. It is correct in this explanation and as such, it is unusual for a lender to accept mortgage payments from a third party. As Mr S is not named on the mortgage, he would be considered to be a third party. OSB has confirmed that its current policy is that it does not accept payments from third parties. However, it made an exception for Mrs S. Due to the arrangement in place, it was not unreasonable that OSB periodically checked the source of the funds being used to pay the mortgage. That is the process that OSB initiated in October 2020 when it spoke to Mrs S and asked for bank and credit card statements.

OSB gave Mrs S some time to provide the information it needed, but when she hadn't done so by January 2021, it declined to allow any further payments to be made by Mr S until it was able to complete its checks. That wasn't unreasonable in the circumstances. Mr S then evidenced the source of funds being paid into a particular bank account and so OSB decided that it was happy to accept payments from that bank account.

While Mr and Mrs S aren't happy that OSB dictated the bank account the payments were to be paid from, and that Mr S had to make a single payment for the amount of the CMI, I don't consider it was unreasonable in the circumstances. As I have said above, OSB was making an exception in allowing Mr S to pay the mortgage and as such, it could place parameters on that arrangement such that it was satisfied that money laundering regulations were being met.

As for the payments made to the mortgage, it is clear that communications about what was required and in what format were somewhat lacking on OSB's part. For example, the two payments made for the February 2021 CMI were rejected as they were each for less than the CMI and identified as ad-hoc payments. While that's not an unreasonable thing for OSB to have done in the circumstances, it doesn't appear that it had made that requirement clear to Mr and Mrs S at the point the payments were made. That said, this was explained shortly after the payments were rejected, but Mr S didn't send the money back to OSB as a single transfer.

I would at this stage confirm that it was Mrs S' responsibility to ensure the mortgage was being paid on time and in full. Where that didn't happen, it was not unreasonable for OSB to record that it hadn't. While I think there were delays in Mr S being given all the information needed to make the necessary payments, that doesn't alter the fact that not all payments were made. It was not inappropriate for OSB to record this information in the circumstances, and for that information to be passed on to credit reference agencies. As such, it would not be appropriate for OSB to alter Mrs S' credit file for the payments due in the relevant period.

As for the service provided by OSB, it has admitted to multiple failings from it giving Mr S incorrect information about opening hours, the refusal to speak to Mr S and issues about call backs. However, I consider there were further failings which potentially had greater impact on the service Mrs S, via Mr S, received. When it was explained to Mr S that payments would have to come from a particular bank account, the fact that he would have to make only one payment for the amount of the CMI wasn't explained. Also, it doesn't appear that Mr S was told at the time why the 15 March 2021 payment was rejected. It is also very clear from the telephone calls that Mr and Mrs S were initially very worried about the consequences of not paying their January CMI on time, and I consider OSB could have explained the situation better, thereby providing them with reassurance. Overall the communications surrounding this matter fell short of what I would expect. As such, I consider that OSB should increase the amount of compensation to Mrs S by £200.'

Mrs S expressed that she was disappointed by my findings. It was confirmed that Mr S had always paid the mortgage even though it was in Mrs S' name, that they had always provided information to OSB whenever it was requested, and it had been provided quickly. They said that OSB shouldn't be allowed to use money laundering regulations as an excuse to cause them problems. They acknowledged the increase in compensation I proposed to award, but said that was not what they wanted; they want rectification of Mrs S' credit file, as this was preventing them from making changes to their mortgage arrangements.

OSB confirmed that it would pay the increased compensation amount on top of the sum it had offered in its final response letter.

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.

Nothing Mr and Mrs S have said in response to my provisional decision alters my conclusions. I know that those conclusions will have been a disappointment to them, as I

didn't consider that OSB needed to make amendments to Mrs S' credit file. However, as I explained in my provisional decision, I couldn't reasonably find in the circumstances that OSB was wrong to record the missed payments as it had.

My final decision

My decision is that I uphold this complaint in part, and I require OneSaving Bank Plc to pay Mrs S a total of £250 (including the £50 it initially offered) for the poor service she received.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs S to accept or reject my decision before 1 December 2022.

Derry Baxter
Ombudsman