

The complaint

Mr W complains that Nationwide Building Society hasn't amended his credit file. He says that this resulted in his mortgage application being rejected.

What happened

In 2021 Mr W fell victim to an impersonation fraud with a personal loan application. Nationwide confirmed to him that his credit file wouldn't be affected.

The personal loan marker wasn't removed from Mr W's credit file. Mr W complained to Nationwide. He said the marker was affecting his remortgage application. He asked Nationwide to compensate him because he'd had to remortgage with a higher rate of interest because of the marker.

In response, Nationwide removed the marker in June 2022. It agreed that it had made errors which resulted in a delay to the remortgage and paid compensation of £250. It said it needed to see evidence that Mr W could've secured a lower rate of interest on his remortgage in March 2022 and that it was solely the personal loan marker which prevented him securing the lower rate. Nationwide said that without this evidence it couldn't consider the amount of compensation sought by Mr W.

Mr W wasn't happy with the response and complained to this service.

Our investigator partially upheld the complaint. He said the only adverse information on Mr W's credit file in March 2022 was the Nationwide loan and it was likely that this had impacted on Mr W's ability to obtain the lowest mortgage rate. However, the investigator said he would need to see evidence to show that Mr W would have been offered the lower mortgage rate and that it was the personal loan marker which prevented this from being offered. The investigator said he hadn't seen this evidence, so he couldn't hold Nationwide responsible for Mr W being turned down for the lower mortgage rate. The investigator looked at the compensation paid by Nationwide and said it wasn't enough considering the impact of the error. He said Nationwide should pay a further £200 compensation.

Mr W didn't agree. He said he couldn't provide the evidence that Nationwide had requested because his credit score was too low (because of the marker) to obtain a decision in principle for the lower rate mortgage.

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.

Nationwide has acknowledged that it made an error by not removing the personal loan marker from Mr W's credit file until June 2022. Mr W initially contacted Nationwide in March 2022 when he first started the remortgage process.

The essence of Mr W's complaint is that the interest rate available in March 2022 was 2.14%

over a 5 year term, but this application was rejected and he had to remortgage at the higher rate of 2.73%, which he says will cost him £5,989.80 more over the 5 year term.

I've looked at the information Mr W has provided from his mortgage advisor.

The mortgage advisor told Mr W in an email that there was a 5 year fixed rate available at 2.14%. However, there's no evidence that Mr W obtained an offer for this mortgage, or that he would have obtained an offer but for the marker.

I've reviewed Mr W's credit report for the relevant period, and I can see that the personal loan was being reported as being in arrears. This is the only adverse information on Mr W's credit file. I agree that this might have impacted on his mortgage application. However, there's no evidence that the marker was the sole reason for Mr W being rejected for the mortgage.

In order to uphold Mr W's complaint, I would need to be satisfied that he qualified in principle for the lower rate mortgage and that the application was declined because of the personal loan marker. I don't have sufficient evidence to show this, so I can't safely conclude that, but for the loan marker, Mr W would have been offered the lower rate mortgage. For this reason, I don't think it would be fair to ask Nationwide to pay the level of compensation that Mr W is seeking.

I've thought about the impact of Nationwide's failure to remove the marker on Mr W. I agree with the investigator that the compensation paid by Nationwide wasn't proportionate. A further sum of £200 should be paid to Mr W, bringing the total compensation to £450. I think this is fair and reasonable to compensate Mr W for the distress and inconvenience caused by the loan marker.

Putting things right

To put things right, Nationwide Building Society must pay further compensation of £200,

My final decision

My final decision is that I uphold the complaint. Nationwide Building Society should take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 April 2023.

Emma Davy
Ombudsman