

## **The complaint**

Mr and Mrs S complain that Sainsbury's Bank Plc unfairly recorded a late mortgage payment on their credit files. They say they missed out on a lower interest rate when they took out a loan. They ask that the adverse data is removed and for compensation.

## **What happened**

Mr and Mrs S had a mortgage with Sainsbury's Bank. They re-mortgaged with another lender in early 2021. Mrs S says Sainsbury's Bank recorded a late payment for January 2021 on their credit files. She didn't know why this was, and didn't get a clear explanation from Sainsbury's Bank.

Sainsbury's Bank said while it was correct to report the late payment it agreed to remove it as a gesture of goodwill and offered £50 compensation for poor service when speaking to Mrs S. Mr and Mrs S say this doesn't take into account the effect of the adverse data on their credit files for about 19 months and the inconvenience this caused them.

Our investigator said Sainsbury's Bank should pay further compensation of £100. This was for the upset and inconvenience caused to Mr and Mrs S by its poor communication, misinformation and the time taken to explain what had happened.

Sainsbury's Bank didn't agree. It said the late payment was correctly recorded, and Mr and Mrs S spent time contacting it because they didn't accept this. It said while it had given Mr and Mrs S incorrect information about removing the late payment it had then agreed to do this as a gesture of goodwill and didn't consider anything more was required.

## **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.

Mr and Mrs S intended to re-mortgage in January 2021. Sainsbury's Bank provided its notes which say that Mrs S cancelled the direct debit for their mortgage payments in December 2020.

The re-mortgage was delayed. Sainsbury's Bank says it received the redemption funds to repay Mr and Mrs S's mortgage on 1 February 2021. This included the payment due in January 2021. However, as the payment wasn't received in January 2021 it was late. Sainsbury's Bank says it was correct to record this on Mr and Mrs S's credit files as a missed or late payment.

Mrs S says they made their first payment to the new lender in January 2021 and she was assured the redemption statement included all amounts due to Sainsbury's Bank. She says the date of transfer was possibly a day or two after their usual payment day, but this was out of her control as it was Sainsbury's Bank that agreed the redemption amount and date.

Mrs S called Sainsbury's Bank on 29 January 2021 (this was a Friday and the last working

day of the month). Sainsbury's Bank told Mrs S the payment for January had been missed and was included in the redemption amount. It didn't tell her on the call that this would mean a late payment would be reported to the credit reference agencies.

Sainsbury's Bank says Mrs S knew a payment was due in January 2021 and had been missed. It said it didn't have to remind customers to pay, and while it didn't tell Mrs S on the call that the late payment would be reported this was set out in the terms and conditions.

It was Mr and Mrs S's responsibility to make their mortgage payments each month. As they'd cancelled the direct debit, they needed to arrange to make the payment in January 2021.

Mrs S's call with Sainsbury's Bank happened in the morning of 29 January 2021. Mrs S would have had time to make the payment before the end of the day to protect her credit score, if she'd known this was necessary.

While Mrs S was told the January payment was missed she was also told it was included in the redemption amount, which Sainsbury's Bank received the next working day. Mr and Mrs S say they were assured the redemption amount covered everything they owed. They didn't realise they needed to make an additional payment on 29 January 2021 to avoid adverse data on their credit files. And Sainsbury's Bank didn't tell Mrs S this during the call.

Mrs S called Sainsbury's Bank in mid-February 2021 as she'd received an arrears letter. Sainsbury's Bank told her she could ignore the letter as the account was redeemed. Mrs S called again in August 2022. She'd discovered the late payment marker when she applied for a loan.

The payment due in January 2021 was late, and I don't think it was wrong for Sainsbury's Bank to record this. But I think when Mrs S contacted it in August 2022, it should have considered the circumstances in which this happened and whether the late payment marker was a fair reflection of the way Mr and Mrs S managed their account. As Sainsbury's Bank has removed the late payment marker this isn't something I need to explore further here. Mrs S didn't understand how the late payment came about and Sainsbury's Bank ought to have explained this.

Sainsbury's Bank didn't immediately do either of these things. It gave Mrs S incorrect information about the missed payment. Mr and Mrs S were led to believe in August 2022 that the error was made by Sainsbury's Bank and their credit files would be amended. In early October 2022 Sainsbury's Bank said it wouldn't remove the late payment marker, and offered £50 to Mrs S for poor service. It then it said it would remove the late payment as a good will gesture. This was because of incorrect information given to Mrs S when she called in August 2022. And because it didn't tell Mrs S during the call on 29 January 2021 that the late payment would be recorded on her credit file.

I don't think it's fair and reasonable to require Sainsbury's Bank to pay compensation for any effect of the late payment marker on Mr and Mrs S's credit score or their cost of borrowing. As I said, I don't think Sainsbury's Bank made an error when it recorded the late payment. And I don't think it would have had reason to review this until August 2022. But Sainsbury's Bank could have responded better when Mrs S contacted it in August 2022.

I appreciate that Sainsbury's Bank removed the adverse data from Mr and Mrs S's credit files. But I think it needs to do more than this.

Sainsbury's Bank said Mr and Mrs S only continued to contact it because they didn't accept the late payment marker was recorded correctly. I think that's unfair. Mr and Mrs S wanted to understand how the late payment marker had come about and I think they were entitled to

an explanation.

I think Mr and Mrs S were caused unnecessary upset and inconvenience when Sainsbury's Bank gave them incorrect information, followed by the delay in providing an explanation of what had happened. Sainsbury's Bank told Mr and Mrs S in August 2022 that their credit files would be amended, told them in early October 2022 this wasn't the case before telling them a few days later it would remove the late payment marker after all. Mrs S had intended to take out a loan and says this was affected by the adverse data. The delay in sorting out the matter would have caused Mr and Mrs S worry.

Taking all of this into account, I think it's fair and reasonable to require Sainsbury's Bank to pay £150 compensation (in total) to Mr and Mrs S.

### **My final decision**

My decision is that I uphold this complaint and order Sainsbury's Bank Plc to pay £150 to Mr and Mrs S. If it has already paid the £50 it offered, it can deduct this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 31 August 2023.

Ruth Stevenson  
**Ombudsman**