

The complaint

Mr and Mrs N are unhappy because Nationwide Building Society recorded late payment markers on their credit file.

What happened

Mr and Mrs N took out a loan with Nationwide in April 2019. The term of the loan was 32 months, meaning the loan was due to be redeemed in December 2021. The contractual monthly payment on the loan was £572.57. Initially the loan was paid by direct debit, but this was cancelled around August 2019 and thereafter Mr and Mrs N made irregular manual overpayments.

In January 2022 Mrs N called Nationwide to see whether the loan had been paid off. The agent advised her that the account was in credit and said a refund would be issued within 5-7 working days.

In February 2022 Mrs N called Nationwide because she hadn't received the refund. The agent advised her that there was an outstanding balance on the account and that the loan was in arrears. The agent put Mrs N on hold whilst she contacted the collections team, but the call disconnected.

Mrs N called Nationwide in March 2022 to ask about extending a mortgage. The agent advised her that her application had been unsuccessful because of the results of credit searches.

Mr and Mrs N discovered that Nationwide had reported late payment markers on their credit file in relation to the loan. They complained to Nationwide.

In response, Nationwide apologised for giving incorrect information about the account when Mrs N called in January 2022. It offered £100 compensation for this. But it said it hadn't done anything wrong by reporting late payments because the loan was in arrears and Mrs N had been informed of this in February 2022.

Mr and Mrs N remained unhappy and brought their complaint to this service.

Our investigator partially upheld the complaint. He said that Nationwide should pay further compensation of £100 for failing to contact Mr and Mrs N about the outstanding amount due on the loan when it reached maturity. The investigator said he wasn't asking Nationwide to amend the credit file because Mr and Mrs N were aware – or ought to have been aware – that there was an outstanding balance.

Mrs N didn't agree. She said their practice had been to make large overpayments towards the loan and not pay the monthly contractual payment until the credit ran out. She said they would usually receive a text when the monthly payment was due. Mrs N said that when she saw that the loan had a small amount left to pay and she didn't receive a text, she thought it might mean that the loan had been overpaid. She said this was later confirmed when she called Nationwide in January 2022. Mrs N said that she'd assumed that the account was in

credit because she'd received no communication from Nationwide to advise otherwise. She said she hadn't received any letters about the arrears or been given any chance to resolve the situation.

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 provided incorrect information about the loan balance to Mrs N when she called in January 2022. It has already apologised and offered £100 compensation for the error.

The essence of Mr and Mrs N's complaint is that Nationwide reported late payment markers which have negatively impacted their credit file. I've thought about whether Nationwide acted fairly when it reported late payments.

When Mr and Mrs N took out the loan, they were aware that the term was 32 months and that the loan needed to be settled by December 2022. I appreciate that Mr and Mrs N didn't make regular contractual monthly payments and instead chose to make manual irregular overpayments. This method of payment may have impacted on Mr and Mrs N's awareness of what was outstanding on the loan at any given time; however, it was their choice to make loan payments in this way.

I've reviewed the loan account history. I can see that the last payment to the account was made in November 2021. There were insufficient sums left from the overpayment that Mr and Mrs N had made to satisfy the last contractual monthly payment due in December 2021. There was £218.85 left "in credit" but the contractual monthly payment due in December was £572.57.

I can see that Nationwide reported the first late payment markers in January 2022 and February 2022. From February 2022 until March 2023 (when the account was settled) the account was marked as being in sustained arrears.

Nationwide has told this service that when the loan term expired, and a balance remained outstanding, the account should've entered collections. It has explained that this didn't happen due to an error whereby its collections system confused the outstanding amount as a credit balance as opposed to an arrears balance. This meant that no correspondence was sent out regarding the outstanding account as it should've been once the term expired.

I can see that Mrs N spoke to Nationwide in February 2022 and was advised that there were arrears on the loan. The arrears weren't paid off until March 2023.

Mrs N has said that she didn't receive any letters about the outstanding account. As I've explained above, an error meant that no letters were sent from the collections team. However, I can see that Nationwide sent a letter to Mr and Mrs N in November 2021 advising them that the outstanding balance was £718.85, so I'm satisfied that they were aware – or ought to have been aware – of the amount required to be paid by the end of the term in December 2021.

Taking everything into account, I don't think Nationwide has made an error by reporting late payments to the credit reference agencies. This is an accurate reflection of the account, because the loan wasn't paid in full by the end of the term. Although Nationwide didn't send correspondence about the outstanding amount, I'm satisfied that the letter sent in November 2021 was sufficient to inform Mr and Mrs N of the amount that needed to be paid by the end

of the term. I think its reasonable to expect that Mr and Mrs N would've made a payment to ensure that there were sufficient sums available to settle the account at the end of the term.

I agree that Nationwide gave incorrect information to Mrs N when she called in January 2022. The correct advice was given when she called in February 2022. Nationwide also acknowledged that there was an error with its system which is why the loan account wasn't passed to collections when it should've been, which meant that Mrs N didn't receive letters about the arrears. However, even though no letters were sent, Mrs N was advised that the loan was in arrears when she called in February 2022 and could've made arrangements to settle the account at this point.

Putting things right

I'm aware that Nationwide has already offered compensation of £100 for the incorrect information. I'm of the view that it should pay further compensation of £100 to take account of the error in failing to pass the account to collections at the end of the loan term. So Nationwide should pay total compensation of £200 to Mr and Mrs N.

My final decision

My final decision is that I partially uphold the complaint. Nationwide Building Society must pay total compensation of £200 to Mr and Mrs N.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 12 February 2024.

Emma Davy
Ombudsman