

The complaint

Mr B complained about information Landmark Mortgages Limited reported to the credit reference agencies about his mortgage and linked unsecured loan account.

What happened

Mr B had an existing mortgage and loans with Northern Rock (a predecessor to Landmark), with the mortgage on a preferential interest rate until June 2006.

When that rate ended Mr B switched to a new preferential interest rate product. The 2006 product switch offer showed Mr B's mortgage was around £166,000 (including fees) on a repayment basis with 23 years to run. The new rate was fixed at 5.79% until 1 May 2009, following which it would move to a variable rate which was guaranteed to be below Northern Rock's Standard Variable Rate, which was 6.59% at that time, for the remainder of the term of the mortgage. Mr B also had a linked unsecured loan of around £29,000 on which the interest rate was the same as the mortgage account, unless the mortgage was repaid and then the rate would move to be the Standard Variable Rate plus 8.00%.

Mr B converted his mortgage to interest only in May 2007. On the request form for that, Mr B noted he wanted to re-structure his personal finances and he said he intended to repay the mortgage at the end of the term by selling the property.

From the contact notes it appears:

- The department for work and pensions made contributions towards the mortgage interest from April 2012.
- Litigation was undertaken by Landmark in 2012/2013 due to the level of the mortgage arrears, with the possession hearing being cancelled when a lump sum was paid to bring the account under two months in arrears.
- An arrangement was put in place, with the mortgage arrears being cleared at the end of August 2014.
- The linked unsecured loan has remained in an arrangement to date.
- Mr B had various other unsecured debts which he told Landmark, in June 2019, were in a payment plan which meant he wasn't being charged interest on them.
- Mr B took Covid-19 payment deferrals between March and August 2020.

In February 2021 Mr B complained to Landmark (I'll refer to this as "the 2021 complaint"). Whilst the 2021 complaint encompassed various complaint points I won't detail them all here as the only part relevant here is that relating to the information reported to the credit reference agencies.

Landmark responded to the 2021 complaint on 12 April 2021 saying Mr B's unsecured loan could have been defaulted in November 2012. It said, with that in mind, it would arrange for a default to be applied to Mr B's credit file for that loan, backdated to November 2012. It explained that would mean the unsecured loan would no longer show on his credit file in any way. It said Mr B still owed the debt, but it wouldn't show on his credit file.

In June 2022 Mr B raised a second complaint with Landmark (I'll refer to this as "the 2022 complaint"). In his complaint letter he said he'd spent the past 12 months attempting to manage his finances and get competitive deals, but had been unsuccessful in doing so. He said, upon looking into it, he found one credit reference agency was reporting he had an adverse account with Landmark, but he'd been told in resolution of his 2021 complaint that all adverse references to his accounts would be removed from his credit file.

As he hadn't received a response to the 2022 complaint Mr B referred his complaint to our service in October 2022 where it was looked at by one of our Investigators.

She said we couldn't look at the 2021 complaint response as that hadn't been referred to us in time. And in respect of the 2022 complaint she recommended Landmark correct the information it had reported between September 2020 and May 2022 and Landmark offered to pay Mr B £200 compensation, which our Investigator felt was fair.

Mr B didn't agree and so it was passed to me to decide.

What I've decided – and why

In December 2023 I issued a provisional decision which set out my thoughts on both our jurisdiction (that is, which parts of this complaint we can consider) and also what a fair outcome would be for the part we could consider.

I gave both sides until 25 January 2024 to make any final submissions they wanted to make about both our jurisdiction, and what a fair outcome would be on the part that was within our jurisdiction.

Landmark accepted all parts of my provisional decision and agreed to increase its offer from £200 to £500.

Mr B responded, but only about our jurisdiction.

Once the deadline had passed, I finalised my findings about our jurisdiction, and in that decision I said:

"We can't consider the 2021 complaint – and any losses Mr B wants to claim that flows from that – as that complaint wasn't referred to us in time.

I will now review again what I think a fair outcome is to the 2022 complaint and, once that review is completed, I will issue a further decision with my findings on that."

I now issue this decision to finalise my findings about what a fair outcome to the 2022 complaint is as the final stage of our process.

As a reminder, in my provisional decision I said the following about the merits of the 2022 complaint:

"In the 2021 complaint response Landmark only said the default would remove the information relating to the unsecured loan, it didn't say it would remove the information about the mortgage. As the mortgage was up to date, and wasn't in a debt management plan, it should have shown as such. It shouldn't have shown it was in a debt management plan between September 2020 and May 2022.

The screenshot Mr B provided to us (which showed the reporting as at 30 April 2023) is just the mortgage account. This can be seen by the fact the balance being reported is around £170,300, whereas if Landmark was also still reporting the unsecured loan as part of the debt the balance would show as around £188,500 (based on the 2023 annual statement). So, putting aside the fact it incorrectly shows as in a debt management plan between September 2020 and May 2022, it seems Landmark had done what it said it would do in the 2021 complaint response letter; that is, default the unsecured loan from November 2012 and therefore no longer report any information relating to that.

I can't say for sure what caused this second issue, that is that Mr B's mortgage was showing as in a debt management plan between September 2020 and May 2022 but it is possible it was a system issue due to the Covid-19 payment deferrals that Mr B had taken as they ran until August 2020, which ties in with the fact the mortgage started misreporting with this one credit reference agency from September 2020. As I said, I don't know that for sure, I just suggest it as a possibility to show Mr B that it is more likely than not that the two issues aren't connected. In any event I don't need to know for sure what went wrong to fairly decide this complaint.

When we explained the issue to Landmark it updated Mr B's credit file information relating to his mortgage account so it showed as "OK" rather than "DM" between September 2020 and May 2022. It also offered to pay £200 compensation.

As the information has been corrected I don't need to make any finding on that, all it leaves me to do is decide on a suitable level of compensation.

Mr B notified Landmark of the issue in June 2022 and enclosed a screen shot from his credit file to show the issue. At that time the misreporting stopped, but the incorrect information that had been reported since September 2020 (until May 2022) remained.

Landmark offered £200 compensation which, having considered all the circumstances, I think isn't enough. Whilst I have to keep in mind I'm only considering the misreporting between September 2020 and May 2022 (so I can't make an award for the issues Mr B has referred to dating back to 2012) I do think Landmark could have taken action sooner. Mr B notified it there was this second issue in June 2022. Having reviewed the letter he sent I don't think his explanation was as clear as it could have been about what the issue was, however he enclosed a screenshot from his credit file which showed it so Landmark ought reasonably to have been able to look into the matter sooner.

I've carefully considered whether the impact on Mr B's credit file in that period might have meant he was unable to remortgage but having looked at everything I can't say it is more likely than not that it would have been the sole reason.

I've reviewed the contact notes and I can see from these that Mr B had – understandably due to the nature of his self-employment – struggled financially through the pandemic, and even outside of this his income and expenditure information didn't indicate he had much in the way of disposable income. I can see in June 2021 Mr B told Landmark he wasn't in a

position to complete an income and expenditure assessment as he simply didn't know what his income would be coming out of the pandemic. The same contact note says Mr B told Landmark he had three other creditors to which he paid a reduced agreement of £40 a month; something that could have impacted the decision by another lender to grant him a mortgage under the mortgage prisoner scheme.

It may also have been the case that a potential new lender would have asked Mr B whether he was in – or recently had been in – an arrangement to pay or arrears with any other agreement. Whilst the Landmark unsecured loan was no longer reported to the credit reference agencies (due to the 2021 complaint resolution), Mr B would potentially still have needed to have answered that question as “yes” (depending on the exact wording of the question) and declared the arrears situation (and arrangement) on the unsecured loan as the loan was in arrears and in an arrangement to pay, even if Landmark had agreed to historically default it so it no longer reported as such to the credit reference agencies.

It may be, especially in 2021 and 2022, Mr B would have struggled to obtain a mortgage elsewhere even under the mortgage prisoner scheme as lenders are still allowed to make their own commercial decisions about the level of risk they are willing to take, and in addition Mr B would have needed to show a clear repayment plan (which some lenders don't consider selling the mortgaged property to be) to repay the interest only debt at the end of the term.

I've not seen anything to indicate that the information reported between September 2020 and May 2022 was the sole reason for Mr B being unable to remortgage after April 2021, but if Mr B holds further information on this point I would ask him to provide it with his response to this provisional decision. If he chooses to do that, he will also need to provide a full unredacted copy of his credit file alongside that evidence as that is something I would also need to consider. I understand Mr B has said that would cost him money to obtain but if Mr B would like me to consider this point again – in that the misinformation was the sole reason he couldn't remortgage after April 2021 – then that is something I will need to see.

As I've explained above, I can't currently award any redress for the fact Mr B was unable to remortgage after April 2021 as I'm not persuaded this misinformation was the sole barrier to that being achieved, so all I'm considering is the distress and inconvenience that was caused to Mr B from June 2022 when he first reported this 2020 to 2022 issue to Landmark. Having considered everything very carefully, and keeping in mind that Landmark could have resolved this issue sooner, I feel that £500 is a fair award (rather than the £200 that has been offered)."

As I said above, Landmark accepted my provisional findings and said it would increase its offer to £500. And whilst Mr B responded, he only focused on whether or not we could consider the 2021 complaint. He didn't provide any new arguments about why what I'd set out wasn't a fair outcome to the 2022 complaint, nor did he provide further information to show the misreporting between September 2020 and May 2022 was the sole reason he was unable to remortgage after April 2021 with a full unredacted copy of his credit file.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I see no reason to depart from my provisional findings that I set out above.

My final decision

I uphold the 2022 complaint and order Landmark Mortgages Limited to pay £500 compensation to Mr B in full and final settlement of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 March 2024.

Julia Meadows
Ombudsman