

The complaint

Mr G1 and Mr G2 complain that Kensington Mortgage Company Limited didn't make clear to them what impact a payment break on their mortgage would have on their credit files.

What happened

Mr G1 and Mr G2 took out a mortgage with Kensington in 2022. It is on a fixed interest rate of 5.59% until mid-2024, after which the rate will change to a variable rate of 4.5% above the Kensington Standard Rate.

In summer 2023, Mr G1 and Mr G2 both changed jobs at around the same time. Mr G1 discussed their situation with Kensington and, in June 2023, Kensington agreed a break in their mortgage payments for three months. Mr G1 and Mr G2 say that Kensington didn't explain how this would affect their credit files and, in particular, what impact it would have on their prospects of re-mortgaging or getting a new interest rate product at the end of their existing fixed rate. They say that had it explained this to them, they would have looked at other options and borrowed from friends and family to ensure that the mortgage payments were made. In September 2023, the payment break was extended for another month.

In October 2023, Mr G1 and G2 realised that their credit scores had fallen so they got in touch with Kensington. It paid them £50 as a gesture of goodwill.

In January 2024, Mr G1 and Mr G2 consulted their mortgage broker, who told them that they would need to clear the mortgage arrears in order to get a new fixed interest rate product, and that the payments they had missed would make it more difficult to move to another lender.

Mr G1 and Mr G2 complained to Kensington. It said it had told them how suspending their mortgage payments would affect their credit files, and it hadn't misled them. It also said it had recorded the three monthly payments as having been missed by arrangement, so they didn't show as unarranged arrears.

Mr G1 and Mr G2 asked the Financial Ombudsman Service to look into the matter. Our Investigator didn't recommend that the complaint should be upheld, so Mr G1 and Mr G2 asked for a review. They still considered that Kensington hadn't made the impact of the payment break clear and it had misled them, and they set out the ongoing worry and upset this matter is causing them.

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.

I was sorry to read about the health difficulties Mr G1 and Mr G2 have had. I recognise that they have both found this matter extremely upsetting and they are worried about their future and how they will manage their mortgage on a higher rate of interest. I've carefully

considered everything they have said and provided. Having done so, while I realise this will be upsetting for them, I can't fairly uphold their complaint.

Kensington has provided recordings of Mr G1's calls with it when he discussed his and Mr G2's situation with it and asked for help and guidance. I'm satisfied that he made it clear in the calls that he was concerned about their credit scores. But I'm also satisfied that Kensington made it clear to Mr G1 and Mr G2 that their credit files would be adversely affected if they made reduced or no payments, by arrangement or otherwise. I will set out some relevant excerpts from Mr G1's calls with Kensington below.

26 April 2023 call

(around 13 minutes into call)

Mr G1: "Would any arrangement like this affect our credit score?"

Kensington: "It would depend on the arrangement that we offer. If for example we did offer something like a suspended payment or a reduced payment, that can affect your credit file, because the payment will still fall due and then any part not paid would apply onto the account as payment arrears."

15 June 2023 call

(around 3 minutes into call)

Mr G1: "we've both worked hard really to get our credit ratings up [...] so it is a bit of a shame but at the end of the day there's not a great deal that we can do about it. It is what it is at the moment and hopefully it doesn't cause too much damage, and hopefully I can get something maybe put on my credit file and just maybe get a note added on there or something and just say you know in case it does show as a missed payment or something like that [...] we have actually had a conversation about it and it's just a sort of a temporary bit of help."

(around 8 minutes into call)

Kensington: "just to confirm, anything not paid will increase the payment arrears [...], your credit file will be affected and it may affect future lending and possible products that might be available."

Kensington also sent Mr G1 and Mr G2 letters confirming the payment arrangements and saying that "If you do not make repayments on your mortgage your credit rating may be affected in a negative way".

I have considered all of the above in the context of Mr G1's and Mr G2's overall situation and their discussions with Kensington. Their circumstances were very difficult given that they both found themselves out of work at the same time. It's clear that they were concerned about their mortgage and how best to maintain it, and they let Kensington know early when they began finding it difficult to afford the mortgage payments. They also made it clear that they wanted their credit files to be in as good a position as possible.

I don't think, however, that Kensington misled Mr G1 and Mr G2. It told them that their credit files would be affected if they weren't paying their mortgage and that an arrangement would be recorded instead. I wouldn't necessarily expect it to have told them all the possible implications of such an arrangement on their credit files – and neither it nor Mr G1 and Mr G2 could reasonably have known what all of those implications might be. They couldn't

have known, for example, how things would turn out and if or when Mr G1 and Mr G2 would be able to clear the missed payments and get the mortgage back on track.

The matter at hand when Mr G1 contacted Kensington was what help and support Kensington could offer when it was clear in June 2023 that Mr G1 and Mr G2 couldn't afford to make their monthly mortgage payments. It offered forbearance in the form of a three-month break in payments, which it said would be reflected on their credit files as payments missed by arrangement. It gave Mr G1 and Mr G2 information about where they could get free independent debt advice and offered to make a referral for them. I think all of that was reasonable. I also think that from what Mr G1 said on the June 2023 call, as set out above, he appears to have understood his credit file would be adversely affected.

I understand that Mr G1 and Mr G2 have recently cleared the arrears in full. I know they are now extremely worried about what will happen when the fixed interest rate on their mortgage ends in the coming months, but I can't make a determination here about whether or not Kensington should offer them a new interest rate product, or about the outcome of any applications they might make to it or to other lenders. Kensington should treat Mr G1 and Mr G2 fairly, and if Mr G1 and Mr G2 feel that hasn't happened they may make a fresh complaint which they may be able to refer to us separately. However, for the reasons I've explained, I can't fairly uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mr G to accept or reject my decision before 30 May 2024.

Janet Millington
Ombudsman