

The complaint

Miss H said she cancelled the direct debit for one mortgage she holds with Barclays Bank UK PLC, after it was repaid. But somehow this meant that a second mortgage she has with Barclays, went unpaid. Miss H wanted the resulting arrears removed from her credit file.

What happened

Miss H had two separate mortgages with Barclays, one residential and one buy to let (“BTL”) mortgage. When the residential mortgage came to an end, Miss H cancelled that direct debit. But she told us this somehow affected both of her direct debits, so her BTL mortgage went unpaid. Miss H wasn’t informed of this right away, so she fell behind with her payments. Two months of payments were missed.

Immediately she realised, Miss H paid back the arrears, and made arrangements for the BTL mortgage to be paid each month. But she said Barclays had recorded these arrears on her credit file. Miss H said that wasn’t caused by anything she had done, and she wanted Barclays to clean up her credit file.

Barclays has said it didn’t cancel the direct debits, and it has shown us that the residential mortgage showed as cancelled by the payer. It has suggested the two mortgage direct debits were linked somehow, and that this was done by the bank Miss H has her current account with (which I won’t name here).

Barclays said it hadn’t upheld Miss H’s complaint about this, because it hadn’t made any mistake here. So it wouldn’t remove the arrears from Miss H’s credit file. But it did say it would pay £150 in compensation, for poor service Miss H received when she tried to resolve the problem.

Our investigator thought this complaint should be upheld. He said Miss H had acted to cancel one direct debit, covering a mortgage which had been redeemed, but this led to both the direct debits being cancelled. So her payments were missed for June and July 2023, and Barclays reported this to CRAs. Miss H took steps to reinstate her payments, and to repay the arrears, as soon as she became aware of this.

Miss H said her bank has told her it didn’t cancel the direct debit to pay her BTL mortgage, but Barclays had told us it could show the payment was cancelled by the payer. However, our investigator said Barclays’ notes also said this -

“We have linked the residential and BTL so when she went in, we have got the reference for BTL on the residential DD. This meant it also cancelled the DD for the BTL mortgage. This is not her fault.”

Our investigator said this wasn’t a clear-cut case, but he thought it was more likely than not that Miss H only cancelled one direct debit for her residential mortgage. He said it looked as if Barclays’ system had both mortgage references noted on the direct debit, which meant the BTL mortgage was not paid.

He accepted Miss H had missed two mortgage payments, but he pointed to a number of provisions in the *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*, which said that someone's credit file should be "a reliable reflection of an individual's credit standing" and that reported data should be fair. He stressed that the purpose of reporting arrears is to indicate signs of potential financial difficulty at the earliest reasonable opportunity.

Our investigator didn't think that adding arrears to Miss H's credit file was a reliable or fair reflection of Miss H's credit standings. And he didn't think she was showing signs of potential financial difficulty or inability to manage her finances. He thought the issue had been caused because of how the direct debit was set up.

Our investigator said he didn't know whether Barclays set up the direct debit this way, or whether it was her bank. But he didn't think it was Miss H's fault. So he said it was fair and reasonable for Barclays to remove any adverse data from Miss H's credit file relating to the missed mortgage payments in 2023 relating to the cancelled direct debit. He said that, plus the payment of £150 that Barclays had offered, would be fair and reasonable.

Miss H replied with evidence that the direct debit for her BTL mortgage was still open and valid with her bank. Only the direct debit for her residential mortgage was closed. And she also showed us that the reference numbers that her bank holds for the two direct debits were not the same. Miss H said all she needed was for her credit file to be cleared, which I understand to indicate she accepted our investigator's view.

Barclays wrote to ask for more evidence. It said it would like to see what had happened to the direct debit, and in particular it wanted to see if the references for the two direct debit payments were the same. It asked our service to provide this, in a specific format. But our investigator replied to say Barclays' own notes suggested that it had created the link between the two direct debits. So he said he still didn't think this was Miss H's fault, and he didn't think she should have to do any more here for her complaint to be upheld. Because no agreement was reached, this case was then passed to me for a final decision.

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've reached the same overall conclusion on this complaint as our investigator. I think Miss H's credit file should be cleansed, removing the missed payments recorded by Barclays in respect of payments due to Miss H's BTL mortgage for June and July 2023, and Barclays should pay £150 in compensation, if it hasn't done so already.

Barclays said it thought Miss H had cancelled the BTL direct debit herself. I can see that this direct debit shows as cancelled on Barclays' system. But the evidence it has shown us of how this happened, which it obtained from the relevant payment system, appears to show that the residential mortgage was cancelled by the payer – with reference ending in 103.

Miss H has always said she cancelled that herself. It had been paid off. The problem appears to be that the direct debit for her BTL mortgage, reference ending 580, was somehow affected at the same time, meaning no payment for that mortgage was taken for June or July 2023.

I don't know what exactly has gone wrong here which meant that Miss H's cancellation of her residential mortgage direct debit (after that mortgage was repaid) also affected her BTL

mortgage direct debit. But the documentation Miss H has shown us, makes me think that her BTL mortgage direct debit wasn't cancelled by her through her bank. She has shown us evidence suggesting her residential mortgage direct debit (ref ending 103) was cancelled, but that the BTL mortgage (ref ending 580) remains in place, and simply hasn't been requested since May 2023.

The internal notes that I have seen, do suggest that Barclays had understood that there was a problem, and had reached the clear conclusion that this was not Miss H's fault.

I don't know for sure if Barclays got something wrong, or if Miss H's own bank got something wrong. But either way, I don't think this was Miss H's fault.

Our service provides a light touch alternative to the courts. And, whilst I understand that Barclays would naturally wish to be sure where this mistake originated, I think that once our service is satisfied that the mistake is not likely to have originated with Miss H, then it is fair and reasonable for our service simply to ask Barclays to amend the report it made for June and July to Miss H's credit file.

Like our investigator, I accept that Barclays made its report in good faith, so no blame attaches to Barclays for doing that. But I don't think that, given what we know now, it's likely Barclays' report complies with the principles for reporting payment arrears. So I agree it should be removed. And that appears to be Miss H's primary concern here.

I note that Barclays has offered £150 for the poor service it provided when Miss H was trying to resolve this problem. Barclays has suggested it has already paid this amount, but if it hasn't then I think it should pay this now. I think that, plus the cleanse of Miss H's credit file, would provide a fair and reasonable outcome to this complaint.

My final decision

My final decision is that Barclays Bank UK PLC must remove the arrears it reported to Miss H's credit file, in respect of missed payments for June and July 2023, and it must pay Miss H £150 in compensation, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 27 June 2024.

Esther Absalom-Gough

Ombudsman