

The complaint

Ms M complained that National Westminster Bank Plc had agreed to waive her monthly mortgage payments while she was out of work. But then it recorded her as missing payments after this. Ms M said she lost her job because this was on her credit file.

What happened

Ms M said she'd asked NatWest for a payment break to cover January, February and March 2023, while she was out of work. But she said NatWest then told credit reference agencies that she'd missed payments for April, May, June and July. Ms M told us that the job she'd secured to start in May required stringent security vetting, including vetting her financial position. And the marks on her credit file meant she then failed this vetting, and lost this posting in August 2023.

Ms M said she had paid her mortgage for all the months marked as missed, and in July she'd set up a payment plan to cover the payments missed during the earlier arrangement. So she was sure that the marks on her credit file were a mistake. But Ms M said despite her desperate pleas to NatWest, it wouldn't put things right in time for her to keep her job, and eventually said it didn't think the marks were a mistake.

Ms M said she was then also unable to get further credit, and her existing credit card debt became unmanageable for her. Ms M told us about the impact all this had on her mental health. But she said all NatWest had offered was £150 in compensation. Ms M wanted NatWest to pay her £30,000 for this complaint, to cover existing and future financial losses, including future difficulty getting a mortgage, and for the effect all of this had on her health.

NatWest said it had agreed a payment deferral with Ms M for two months, covering February and March 2023. It said the only impact of this is there would be no collections action during this time – so it wouldn't ask Ms M to make her payments, or to address the arrears, until the deferral had ended.

NatWest said Ms M was told on the phone, when she made this arrangement, that this payment deferral would impact on her credit file. It said it could see it hadn't recorded her as in an arrangement to pay for February, only for March, and it would amend this, so her credit file showed an arrangement for February too.

But NatWest didn't think it had made any other mistakes on her credit file. It had made a number of attempts to contact her after the arrangement ended, and she didn't get in touch until July to clear the arrears.

NatWest has offered to pay Ms M £150 in compensation, but it said this was because it hadn't dealt promptly with her complaint.

Ms M complained again, and NatWest wrote again twice, but it refused to offer any further compensation or any other amendment to Ms M's credit file. It noted in October that Ms M had told it about a medical condition.

NatWest said it had been trying to contact Ms M from March, to get her to set up a plan to address the arrears that accrued on her account during the period of payment deferral. But Ms M didn't speak to it then. NatWest said that from July, when she had finally spoken to it about the arrears, her credit file showed her as in an arrangement to pay again. NatWest said if Ms M had got in touch about this earlier, then her credit file would have reflected an arrangement to pay earlier.

NatWest wouldn't compensate Ms M for the loss of her job, because it didn't think it had caused that. Ms M told us about the effect this was having on her, and provided medical evidence of her treatment.

Our investigator didn't think this complaint should be upheld. He thought NatWest had warned Ms M that an arrangement to pay would affect her credit file. But he said that NatWest had marked Ms M's credit file with a missed payment in February 2023, when the file should have shown her as in an arrangement. After that arrangement ended, the markers then showed arrears on her file, and our investigator didn't think that was a mistake. He didn't think Ms M lost her job solely because of the mistake that NatWest did make. And because of that, he didn't think NatWest had to do any more.

Ms M replied to say she didn't understand our conclusions. She said that one credit file site showed NatWest had reported missed payments on her mortgage for April, May, June and July 2023. Another showed missed payments in July, August and September 2023. But Ms M said her mortgage was paid during all of those months. And Ms M said NatWest hadn't explained that a mortgage holiday would go on her credit report.

Our investigator sent Ms M the credit reporting that our service had seen. He explained that numbers next to a month indicated how many months of arrears Ms M was in at the time. That number went up to three, but then didn't increase from there, indicating that Ms M was making her monthly payments, but not clearing the existing arrears. He said he would raise with NatWest the differences in reporting that Ms M had flagged with us. And he said Ms M could offer any further evidence for the reasons she'd lost her job, if she wished.

Ms M then wrote again, in detail. She told us about the continued ill effects she was experiencing as a result of these problems, and set out her case again from the start, for me. Ms M pointed to relevant evidence as she set out her case. She told us that she started work in early May, having passed a preliminary check for the extremely stringent vetting this posting required. Sometime after this, she discovered that her credit score had changed, and payments were showing as missed for March, April, May and June.

Ms M set up a payment plan in July. She said she told her employer that the marks on her credit file were a mistake, and she had complained about this to NatWest. Ms M said she was then waiting for her file to be corrected, but it wasn't. Although she asked for this to be dealt with as a matter of urgency, the marks remained.

Ms M then said in early August she was moved from her post, because she'd failed the vetting. Fortunately, her employer kept her on with full pay while they found another contract for her to work on. Ms M said she complained again then, but never even got a call back.

Ms M said the different role she was assigned at work wasn't suitable for her. She also said she had taken on a significant amount of unsecured debt, for home renovations, and she'd hoped to move this to a zero interest credit card offer, but could no longer secure those with the marks on her credit file. Ms M said she was unable to get any other affordable lending. Ms M said her mental health deteriorated, and she resigned from her post. She told us she was receiving medical treatment at this point.

Ms M said she had started a new post, and was now earning more than she did previously, but still couldn't afford the credit card payments, and her mortgage. She said if her credit file could be cleared, she might be able to secure borrowing at a better rate. Ms M said she'd asked NatWest for additional borrowing, but it wouldn't help her.

Ms M said she thought that NatWest had just marked her credit file with any months for missed payments, thinking it didn't matter. But she said it put those missed payment markers on her file for the months when she was back in full time work, and that looked far worse. For all this, NatWest had only offered her £150 in compensation. Although NatWest had sent a cheque for that amount, she didn't want to accept it. And Ms M said NatWest then recorded another missed payment.

Because no agreement was reached, this case then came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold it in part. This is what I said then:

I should say at the outset that I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues.

Ms M's complaint is that a number of missed payments to her mortgage were reported onto her credit file by NatWest, in the first months of 2023. Ms M says missed payments were reported in the period of January through to March, when she was on a payment holiday. Ms M said she wasn't told this holiday would affect her credit file, and she wouldn't have entered into this arrangement if she had been told that.

Ms M also said the missed payment markers continued to be applied to her credit file after this time. Ms M told us she lost a job which she had only recently secured, because she then failed the credit vetting. Although Ms M said her employer tried to reassign her elsewhere, she wasn't suited to that work, and was also severely affected by the stress of this complaint, so she resigned.

Ms M tells us she has since secured better paid work. But she says the marks on her credit file have had a severe impact on her. She had only recently taken on considerable debt, to pay for home refurbishments, and says she's now not able to secure zero interest credit, to support that debt. She's not able to remortgage, or get other lending. Ms M says that this has severely affected her mental health, and provided details of the effect this had on her.

I'd like to pause here to say how very sorry I have been to hear about the impact that Ms M told us this has had on her. I hope that a resolution to this complaint, and a new job in a role I hope she is finding rewarding, will help her to move forward.

I think it would also be helpful to clarify how credit file reporting works. Firstly, credit file reporting isn't instantaneous, and it's not unusual for a missed payment from one month to then be recorded on file for the next month with one or more of the credit reference agencies. I would expect that any lender, and any employer who is checking someone's

credit file for that employment, would be alive to this.

I'd also like to briefly summarise what the markers on a credit file represent. Ms M has consistently referred to NatWest's markers on her credit file as "*missed payments*". I know that some credit report websites do refer to the markers on a credit file as "*missed payments*" but that's unfortunately a bit misleading. What NatWest (like all other lenders) is doing, isn't to report whether someone has made their contractual monthly payment each month. It's actually reporting whether Ms M remains on track with her payments overall.

So when NatWest reports "1" onto Ms M's credit file, it's not reporting one missed payment. It's actually reporting that her account is in arrears by the amount it expects her to pay in one month (or more, but less than the amount it would expect her to pay for two months). If Ms M doesn't pay next month either, then this will go up to "2" – recording that she's in arrears by the amount that NatWest expects her to pay for two months.

But, importantly, if Ms M misses one month's payment, then makes a payment in the next month, but doesn't also pay extra, to catch up from the previous month, then her account remains in arrears. And as long as her account remains in arrears, that "1" will remain.

That is the system of credit file reporting used by all lenders. I don't think it's unfair or unreasonable for NatWest to have applied that approach, in this case.

So now I need to deal with two issues – the first is what happened when Ms M applied for what she understood was a payment holiday, for January, February and March. And the second is what happened after that.

Ms M's missed payments for January to March 2023

I can see that NatWest tried to contact Ms M at the start of January 2023, about a missed payment. Her direct debit hadn't cleared. Ms M then spoke to NatWest on 10 January 2023. She said she'd lost her job at the end of the last year, and was having difficulties making her payments while she tried to get back into employment. She had already missed the payment for January, so she wanted a payment holiday for three months, January through to March.

NatWest says it agreed forbearance for two months, for February and March. It says all it agreed was that it wouldn't contact Ms M for these two months asking her to pay her mortgage. It said it was clear, on the call it had with Ms M, that her credit file would be affected by this. However, as NatWest does appear to have also taken steps to make sure Ms M's direct debit for January wasn't represented later in that month, I think it's likely that NatWest had agreed a plan for three months with Ms M, to cover the payments due from January to March 2023, as Ms M suggested.

Ms M is adamant she wasn't warned her credit file would be affected, on this January 2023 call. NatWest says she was, but it doesn't have a call recording for this call, so I cannot hear what was said. I have seen notes of this call, which do seem to me to reflect Ms M's circumstances at the time. So it does seem likely that these notes are a true reflection of the call. And those notes also say Ms M was told about the effect on her credit file. So I do think it is a little more likely that this was addressed on this call.

But I would usually expect NatWest to have recordings of its calls. And without this call recording, I cannot be confident that the messages NatWest said it passed on to Ms M,

about the credit file impact of what she was doing, were clearly communicated to her on this call. However, I don't think that this call is in fact key to this case. That's because NatWest also sent an email to Ms M, a couple of days after the call, on 12 January, which explained the same points to her.

NatWest has shown us that email, and it tells Ms M that her credit file will record her as in an arrangement to pay for the agreed period. We know that NatWest didn't initially show Ms M as in an arrangement for all of this period. And I think that was a mistake. But I note that this letter also includes this warning –

“having an excess/missing payments could have severe consequences for your finances. We report any non-payment to the credit reference agencies and this is likely to make obtaining credit more difficult in the future.”

So I do think Ms M was warned there was likely to be an impact on her credit file. If Ms M had previously expected this payment arrangement would be treated in the same way as a previous payment deferral under the special arrangements put in place for the pandemic, I think this communication ought to have alerted her that this would not be the case.

Considering all of the above, although I don't think it was a mistake for NatWest to record on Ms M's credit file that arrears had started to mount up since the missed payment in January, I think it should also have noted an *“arrangement to pay”* on her credit file for these months.

That *“arrangement to pay”* shows lenders (and any prospective employer checking her credit status) that Ms M isn't just missing her payments. It indicates she's been in touch with her lender, and reached a temporary arrangement with it, to deal with her financial difficulties.

The latest credit file reporting that NatWest has shown us, shows Ms M in an arrangement to pay for January and February 2023. For the reasons set out above, I think NatWest should amend its credit file reporting to show that Ms M was in an arrangement to pay for January, February and March 2023.

Credit file marks applied after March 2023.

Ms M complains missed payment markers continued after this, although she said she had restarted payments. Ms M has stressed she was offered work in April, to start in May. So she said she could have explained some missed payments at the start of the year, before she was in employment. But having further missed payments when she was employed made her financial situation look precarious, and meant she failed the vetting for her role.

I don't know if NatWest had stressed to Ms M, on the call it had with her, that it would be very important for her to speak to it as soon as the arrangement was over. It was important, because this arrangement would mean arrears were building up on her mortgage, and she needed to make a new plan to clear these. But I can see that the email NatWest sent, when Ms M started her payment arrangement in January, explains the importance of this. It says that Ms M doesn't have to make payments while the arrangement is in place. But then it goes on to say this –

On or shortly after this, or if your circumstances change we'll need to speak to you again to agree an arrangement to repay the missed payments which may involve setting up a new direct debit.

And the letter goes on to say even if Ms M resumes her monthly payments after the arrangement has finished *“we’ll still need talk to you about the missed payments on your account”* (reproduced from the original, including the typo).

NatWest said it repeatedly tried to contact Ms M, just after the start of March 2023, to get her to make arrangements to repay the arrears on her mortgage.

Ms M said she tried to contact NatWest to make arrangements to pay, but she said her attempts to email failed. She said she telephoned twice, but was cut off both times.

I think NatWest was clear that it did need to speak to Ms M and would need to discuss her financial position, not to receive an email. Unfortunately, I haven’t been able to see that Ms M did speak to NatWest about the arrears before July. And I haven’t been able to see that this was NatWest’s fault.

Ms M has told us that her condition (which I do not need to name here) means she doesn’t answer calls from numbers she doesn’t recognise. But NatWest said that it had called, and Ms M had answered, then hung up. It also said it had written to her.

NatWest listed its contact attempts as follows –

- first letter, asking Ms M to get in touch to pay off the arrears, was sent on 2 March 2023 after the deferral plan ended. This letter warns Ms M of a possible impact on her credit file if she didn’t contact NatWest.
- another letter, 11 March. This letter explains the likely impact on her credit file, if she doesn’t get in touch
- Attempted call, 9.21 on 3 March, no answer so voicemail left.
- Answered call, 16:06 on 3 March, but Ms M hung up the call after authentication.
- Attempted call, 10.09 on 4 April no answer so voicemail left.
- Answered call, 11.30 on 5 April 2023, but call was disconnected in greeting.
- Letter issued 5 May 2023
- Letter issued 6 June

Ms M said she’d rung NatWest in July, after she noticed her credit score had changed. But she also told us that she had missed July’s payment, and had received a letter then saying that if she didn’t make up the arrears, and the payment for July, then NatWest might take legal action to repossess the property.

NatWest has shown us that Ms M rang it on 14 July 2023. She had missed the payment for that month, but confirmed it should clear when it was presented again to her bank. After this payment was taken, Ms M then set up a plan to repay the arrears on 17 July.

NatWest says it didn’t record either June or July’s payments as missed. Ms M said she could see there were still marks on her credit file for those months, so she thought NatWest was just getting things wrong. But I’ve explained that marks are never simply a *“missed payment”* they are arrears on the mortgage. And I think the marks I can see for the months after March, represent the arrears which had accrued on Ms M’s mortgage during January, February and March, and had not yet been cleared.

I do think that NatWest had made considerable efforts to contact Ms M, to get her to pay off these arrears, starting in March and continuing until July, when she did finally set up a repayment plan. And although Ms M told us she did ring twice, I think it was clear from the continued communications from NatWest, that it was very important she speak to it.

We know she didn't do that until July, when she set up a payment plan. So I don't think NatWest made a mistake in recording arrears, with no plan in place, before July. And I don't think it has to remove those arrears markers from her credit file now.

I do think that NatWest has unfortunately done a rather poor job of explaining this to Ms M. It indicated to her in July that the credit file marks might be removed for April to July, and as Ms M remained in arrears, it should not have agreed to that.

I've also looked at its complaint response letters, and it doesn't appear to me that NatWest has set out clearly for Ms M how credit file reporting works, and why it would be reasonable for NatWest to record, on Ms M's credit file for April, May, and June, payments which were missed in January, February and March.

I can see NatWest has made some attempts at explaining the position, but unfortunately I think its explanations of what has happened on Ms M's account only make sense if one is already very clear on how credit file reporting works. And I think NatWest should have understood, given Ms M's complaint, that she was not clear on this. So I'll bear that in mind when I think about compensation in this case.

Although I can see Ms M didn't increase her monthly payments to pay back the arrears until 1 August, NatWest says Ms M's credit file now shows her in a payment plan from July, when she agreed with it how she would clear the arrears. And it said that if she had responded to its earlier attempts to contact her, then her credit file would have shown this arrangement starting much sooner, as soon as she'd made the repayment arrangement with NatWest.

I think this is likely to have had an impact on Ms M's credit vetting. I do think, as I noted above, that NatWest should have shown Ms M as in an arrangement to pay for January to March. But even if NatWest had done that, Ms M then did have arrears on her file in the months that followed.

I'm satisfied that NatWest had done enough to make her aware of the need to get in touch, and to set up a repayment plan, after the start of March, and also that Ms M didn't address this until July 2023. So during April, May, and June, I think it was reasonable for NatWest to report arrears on her credit file, and also not to add any indication that Ms M had yet taken steps to address those arrears with NatWest.

Ms M told us she started work in early May. And on 3 August, she was notified that she'd failed vetting for this post, because of her financial position. Ms M was then moved to a very different role, which she said wasn't suitable for her, and which she said led her to resign.

Ms M has stressed to our service that having unresolved problems with her mortgage showing on her credit file, while she was in full time employment in a role where she needed to demonstrate financial stability, is something her employer was always likely to take very seriously. And I think that's likely to be the case.

But I've also set out why I don't think that the marks on Ms M's credit file for April, May and June were a mistake by NatWest. And because Ms M then had marks on her credit file, indicating existing arrears on her mortgage while in employment, and also not indicating any plan in place to address those arrears, I do think these marks were unfortunately likely to have meant Ms M lost this role. Especially when set against the background of the considerable amount of unsecured debt Ms M told us she had taken on.

So I don't think that NatWest has to compensate Ms M for the loss of a job role which she told us she was very happy in, or indeed for her loss of income on her eventual resignation when the replacement post she took up wasn't suitable for her.

And because I also think that Ms M was also likely to find it very difficult to get credit once she'd had recent arrears noted on her mortgage with no arrangement to pay, I don't think NatWest has to pay Ms M for the problems she then told us she experienced, refinancing her pre-existing unsecured lending.

I do think that NatWest made mistakes here, but because I don't think that these mistakes led to all the problems that Ms M has described to us, I also cannot fairly ask it to pay compensation for the effect that Ms M told us this had on her.

I have noted that NatWest could have provided a better explanation of the situation for Ms M. I don't think Ms M ought to have had to bring her complaint to our service, to be provided with a clear explanation of why her credit file was marked. And I think it's unfortunate that the lack of a clear explanation on this earlier, left Ms M thinking there was a possibility that all the marks on her credit file could be removed.

Because of that, I think NatWest ought to pay Ms M a total of £400 in compensation. That will mean NatWest needs to pay an additional £250, on top of the amount of £150 which it previously offered. I understand that Ms M may find this very disappointing, but I don't think NatWest has to do more than that.

Ms M also told us she's had further problems with NatWest since. She said it recorded another payment as missed, late in 2023. And she said it was refusing to even respond to her requests for further borrowing. I'm sorry to have to tell Ms M that I'm not able to consider those issues here, as I haven't been able to see that NatWest has yet had a chance to consider them. If Ms M has already complained to NatWest about these matters, and has either received a complaint response letter or eight weeks have passed since the complaint was made, then she can raise this with our investigator if she would like, and our service can look into these issues as a new complaint. I cannot address those points here.

I invited the parties to make any final points, if they wanted, before issuing my 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.

NatWest replied to say it would agree to pay additional compensation. It said that it had already paid £150 in this case by cheque. If NatWest can show that Miss M has cashed this cheque, it would only need to pay £250 now. Miss M didn't reply.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that National Westminster Bank Plc to pay Ms M a total of £400 in compensation. National Westminster Bank Plc can count towards that amount, any payment of compensation it has already made to Ms M for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 July 2024.

Esther Absalom-Gough

Ombudsman