

The complaint

Mr M complains that Yorkshire Building Society gave him incorrect information about his account that led to him going into arrears and failing to qualify for a temporary interest-only amendment to his mortgage. This has affected his credit rating.

What happened

Mr M has a mortgage with his former partner. In June 2023 Mr M's ex-partner made a debit card payment to cover a missed contractual monthly payment ("CMP") for May 2023. Mr M contacted Yorkshire which confirmed, incorrectly, that the CMPs for May and June 2023 had been made when the June payment was only to cover May. This left the account in arrears. Mr M wanted to change the mortgage temporarily to interest-only. This was discussed with Yorkshire and was to start in August 2023. But Yorkshire then refused this because the account was in arrears. Mr M found that the existing mortgage was unaffordable, and the arrears built up which affected Mr M's credit file.

Yorkshire on review accepted that Mr M was given incorrect information about the May/June payments. It made a payment of £1,177.93 equivalent to the June payment which Yorkshire misled Mr M to believe was paid and offered £75 and then on review when the complaint came to us, £200 as compensation for Mr M's distress and inconvenience.

Our investigator's view was that the payment of £1,177.83 and offer of compensation was fair; that the pattern of Mr M's payments indicated that the account would be in arrears even if the temporary interest-only arrangement were put in place. So, our investigator's view was that the offer from Yorkshire to settle the complaint was fair. Mr M disagreed and asked for a review.

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 note in his response to our investigator's view Mr M accepts that the payment of £1,177.93 was fair from a financial point of view but, he says, does not deal with the serious impact that Yorkshire's actions have had on his credit rating. Mr M says that it went from excellent in May 2023 with no missed payments to a rating of 506.

I agree with our investigator and Mr M that it was appropriate for Yorkshire to make up the June payment given that it had misled him to believe that it had been paid. The second issue is the responsibility for the damage to Mr M's credit rating because he missed out on a temporary interest-only arrangement with Yorkshire.

Mr M's credit rating has been badly affected. The reason it has been so affected is that no payments were made in August, October, November, and December 2023. That being the case it's difficult to say that Mr M's position would be different with interest-only if he was unable to make any payments during these months. Even if Mr M was refused the interest-only option it may have been possible to agree another arrangement with Yorkshire, but the evidence suggests that Mr M wasn't in contact with Yorkshire's collections team despite attempts to make contact with him at this time.

So, I accept that Yorkshire misled Mr M and if it hadn't, he may well have transferred to the interest-only arrangement, But I can't fairly say his situation would have been better or his credit profile improved as he was unable to make any payments in the months listed above and appears to have avoided contact with the lender during those months when it's possible an alternative arrangement could have been arrived at. I'm sorry to hear of the difficulties that Mr M was in and the future problems he will have but I can't say that in respect of the credit rating these problems were caused by Yorkshire. I consider that Yorkshire has fairly acknowledged its error in respect of the misinformation and now that it has raised the level of its offer of compensation to £200 I agree that this fairly compensates Mr M for the trouble and upset this caused him.

Putting things right

Yorkshire Building Society has paid into Mr M's mortgage account £1,177.53. It should also pay Mr M £200 for his distress and inconvenience.

My final decision

I uphold this complaint and require Yorkshire Building Society to make the payments set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 October 2024.

Gerard McManus
Ombudsman