

The complaint

Mrs G complains that when she took out a payment break on her Buy To Let mortgage with Capital Home Loans Limited trading as CHL Mortgages ("CHL") it said pre-existing arrears on her account wouldn't be marked on her credit file during the break. But they were.

What happened

Mrs G has a Buy To Let ("BTL") mortgage with CHL. In 2020, during the pandemic, Mrs G asked CHL for a payment break, under the special arrangements set up to assist people at that time. Mrs G said she wasn't told that her pre-existing arrears would continue to be recorded on her credit file while she was in the payment break, and so now she has additional months of missed payments on her credit file. Mrs G said she had understood that the existing arrears would be put on a payment break too. She wanted CHL to remove the arrears from her credit file.

CHL didn't think it had done anything wrong. It said when Mrs G rang in early 2020 up to set up the payment break, she was told that the break itself wouldn't affect her credit file. But its call handler had told Mrs G that her account was already in arrears, and this was already impacting her credit file. Her direct debit had failed in November 2019. Those arrears were recorded until Mrs G cleared them in July 2020.

CHL said it had never suggested Mrs G's pre-existing arrears wouldn't be reported during the payment break. And it said Mrs G had unfortunately had several other instances of missed payments after her payment break, which had also affected her credit file. CHL wouldn't amend Mrs G's credit file now.

Our investigator didn't think this complaint should be upheld. He said that under the special arrangements for payment breaks during the pandemic, lenders weren't allowed to report a worsening credit file during the time a payment break was in place, but they were allowed to continue reporting any pre-existing arrears. And he said that's what CHL had done here.

Mrs G objected, saying CHL told her that she wouldn't need to worry about the pre-existing arrears during the payment break.

Our investigator asked CHL for the calls where it had discussed this with Mrs G, and then he wrote to Mrs G again. He said the payment break had stopped Mrs G's arrears from increasing, because payments missed during the payment break didn't add to her arrears. But he said he'd listened to the calls between CHL and Mrs G where the payment break was first discussed, then set up. And CHL hadn't told Mrs G that the payment break would also stop her pre-existing arrears from being recorded. It had told her that her mortgage was in arrears. And it also suggested if she could pay just under £400 and return the form right away, then CHL could backdate the payment holiday to 1 April 2020. Mrs G then wouldn't have any arrears reporting on the account throughout the payment break.

Our investigator said Mrs G didn't return the form, or speak to CHL again until it called her on 13 May 2020. The payment break was put in place then, and although CHL asked Mrs G if she still wanted to backdate the break, she chose to have it start from May 2020.

Our investigator said Mrs G didn't then make any payments in October and November 2020, so had further arrears. And he didn't think CHL informing Mrs G that the existing arrears would continue to report on her credit file during the payment break would've made any difference.

Mrs G said none of this was clear at the time, and if she'd known that starting her payment break from April would stop the arrears from reporting during the break, she would have done that. She said any later payment difficulties weren't relevant to this decision. Because no agreement was reached, this case came 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.

On 29 April 2020, Mrs G called CHL to ask about a payment break, under the special arrangements put in place to support people during the Covid-19 pandemic. Mrs G was then two months in arrears. CHL told us Mrs G had missed a payment in November 2019, and she hadn't yet made the monthly payment due for April 2020.

CHL told Mrs G that the payment holiday wouldn't affect her credit file, but it also alerted her to an existing problem with her credit file, because her mortgage was then two months in arrears. CHL suggested that Mrs G could make one month's payment, and backdate the payment holiday until 1 April, so that her arrears would then be cleared before the payment holiday started.

I think this was a helpful suggestion for CHL to have made, and Mrs G indicated she wanted to accept it.

CHL clarified how much Mrs G would need to pay now, for this to work. It sent her a form, and said this needed to be returned ASAP, it couldn't start her payment break before then. Mrs G asked about making both payments, and starting the payment break from 1 May. At the end of the call, Mrs G said she would want to backdate the payment break.

However, we know Mrs G didn't return the form that CHL needed to start the payment break. She later said she hadn't received it, but she didn't contact CHL to chase this up either. This suggests to me that clearing her arrears and putting this arrangement in place wasn't a priority for Mrs G at the time.

Mrs G next spoke to CHL when it rang her on 13 May, to follow up on her earlier request. By that time, CHL had put arrangements in place to be able to start payment breaks over the phone, and on that call, Mrs G went through the process of starting the break. CHL's agent read out a script to Mrs G which included the following – *"...we will ensure that the payment holiday does not negatively effect your credit file."* CHL did offer again to backdate Mrs G's payment holiday to 1 April, but it didn't discuss Mrs G's existing arrears again on this call. And Mrs G didn't ask again about clearing those arrears.

In considering Mrs G's complaint, I have to bear in mind that when she spoke to CHL at the end of April, her credit file had already been affected by a missed payment from late in the previous year. Her account had been in arrears which were either equal to or in excess of, one month's mortgage payment, since November 2019. So there were a number of existing negative marks on Mrs G's credit file before she started this payment break.

I also have to take into account that after this call, Mrs G didn't then take the action the call handler had suggested, to pay off the arrears and put her payment break in place. I also have to take into account that Mrs G had experienced payment difficulties before this, and continued to have problems afterwards.

I have considered what Mrs G has said carefully, about whether things were clear on the calls she had with CHL. I think it's always possible to say, with hindsight, that explanations given over the phone could have been clearer or more detailed. So I accept that it would have been possible for CHL to improve the information it gave her. However, in all the circumstances of this case, I cannot say that it's most likely that if the information Mrs G was given on the call at the end of April had been repeated in the call in May, that Mrs G would have most likely backdated the payment break until the start of April. I haven't been able to see that Mrs G had previously expressed any concerns about arrears which had been on her account since November 2019, and Mrs G's key concerns on the call in May appeared to be to defer future payments for as long as possible, at a time when she said her tenants weren't paying all their rent.

I'm sorry to have to tell Mrs G that I don't think CHL has to amend her credit file now, to remove the pre-existing arrears which continued to be reported during her payment break in early 2020.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 December 2024.

Esther Absalom-Gough
Ombudsman