

The complaint

Mr and Mrs A complain that Bank of Scotland plc (trading as Halifax) has reported their mortgage account as being in arrears to credit reference agencies.

What happened

Mr and Mrs A switched their Halifax interest only mortgage to a fixed rate of 2.09% in 2018. Under the terms of that agreement, the fixed rate was to remain in place until 30 April 2023. Thereafter, interest would be charged at Halifax's Homeowner Variable Rate (HVR), which, at the time of the switch in 2018, was 3.99%.

During the fixed rate period, Mr and Mrs A's monthly payment was fixed at just under £239.

Mrs A spoke with Halifax in December 2022, primarily regarding her and Mr A's options as the mortgage was approaching the end of its term and due for repayment in January 2024. During this call, Halifax incorrectly told Mrs A that the existing fixed rate deal ran until December 2023.

Mr and Mrs A's fixed rate duly expired on 30 April 2023 and interest was charged at Halifax's HVR from 1 May 2023. The rate was 7.99% at this time, meaning that Mr and Mrs A's mortgage payment rose significantly to around £900. The HVR, and Mr and Mrs A's expected monthly payment, increased further in the months that followed.

Mrs A was in touch with Halifax shortly after receiving the written notification of the new interest rate and monthly payment in April 2023, as she was concerned that she and Mr A wouldn't be able to afford the new payments. The first higher payment due in May 2023 was made and arrangements for Mr and Mrs A to pay lower amounts were agreed for June to December. The shortfall amount – i.e. the difference between what Mr and Mrs A were supposed to be paying and what they actually paid – accrued monthly as arrears, and they cleared this by way of a lump sum payment in December 2023.

Mr and Mrs A are unhappy that Halifax has reported the mortgage as being in arrears to credit reference agencies while these arrangements were in place. They say the reason they got into difficulty in the first place is because they were misled into thinking that the mortgage would remain on the lower fixed rate until December 2023 – only finding out in April 2023 that the payments would increase significantly from May onwards. They also say that they agreed the reduced payments with Halifax following affordability assessments and duly honoured them – so they don't think it's right that arrears are now being reported on their credit files. This has, they say, impacted their ability to obtain alternative rates and other financial products elsewhere.

While Halifax accepts that it misinformed Mrs A about the end date of the fixed rate when speaking to her in December 2022, it doesn't think it's done anything wrong in terms of the information it's reported to credit reference agencies. It says it made Mr and Mrs A aware of the impact on their credit file of paying less than the required amount and that it has reported factually accurate data to the relevant agencies, as it is obliged to do.

One of our Investigators reviewed Mr and Mrs A's complaint. While sympathetic to the position Mr and Mrs A had found themselves in, she didn't think Halifax had acted incorrectly or unfairly in reporting the mortgage as having been in arrears.

As Mr and Mrs A didn't accept our Investigator's view, the complaint was passed to me to decide.

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.

Having done so, I don't think Halifax has treated Mr and Mrs A unfairly in the way it has reported information about their mortgage to credit reference agencies. I'll explain why.

Mr and Mrs A say that the arrears only arose due to Halifax's error in telling them that their fixed rate would end in December 2023, rather than April 2023. Halifax has accepted that error and that matter has been the subject of a separate complaint considered by our Service. As we have already issued a final decision on that complaint, it wouldn't be right for me to reassess it again now. But it is relevant information for context when considering whether Halifax acted fairly in reporting Mr and Mrs A's mortgage as being arrears.

The Ombudsman who reviewed this previous complaint found, in summary, that Halifax's error wasn't the reason Mr and Mrs A hadn't taken steps to repay or refinance the mortgage – in other words, that their position hadn't been prejudiced by the incorrect information Halifax had given them. In light of the findings we made in respect of that complaint – that we didn't find Halifax's error would've altered how Mr and Mrs A operated their mortgage – there is no basis on which I could say that the arrears position that has been reported only arose due to something Halifax did wrong.

Mr and Mrs A have also questioned the accuracy of the information Halifax has reported, given that their credit files show the mortgage as having been in arrears, despite the fact the reduced amounts they were paying were agreed with Halifax beforehand. Halifax is obliged to report accurate information to credit reference agencies. While the reduced payments were maintained in line with the arrangement, the full contractual monthly payment was not being made. So the account was in arrears. It was right for Halifax to report it as such – alongside the fact that an arrangement was in place, rather than recording the arrangement alone. That is in line with established industry practice.

I can also see that Halifax made Mrs A aware of the potential impact on her and Mr A's credit file in conversations prior to the arrangement being put in place. So, I think she and Mr A were able to make an informed decision about how to proceed.

I've noted that in response to our Investigator's assessment, Mr and Mrs A have queried whether Halifax could've offered them more support under the Mortgage Charter and if it is fair for them to be charged interest at a higher rate because they are in arrears. As these points weren't raised within the complaint initially, it wouldn't be fair for me to consider them now – primarily as Halifax has the right to investigate and respond to any complaints before we can get involved.

It might, though, be helpful for me to highlight that the option of a six-month interest only payment arrangement under the Mortgage Charter – which wouldn't have affected their credit file – wasn't relevant to Mr and Mrs A as their mortgage was already on an interest only basis. I've not seen that they're being charged interest at a higher interest rate *because* of their arrears, rather they are being charged interest at Halifax's HVR in line with the terms

of their mortgage offer and have since fallen into arrears. That being said, I should reiterate that Mr and Mrs A have the right to raise a complaint about these issues if they don't feel Halifax has treated them fairly in either respect. In the first instance, they should raise this with Halifax directly.

I'm sorry to disappoint Mr and Mrs A given their understandable strength of feeling over the matter, particularly as they're in the midst of exploring what options they have now they've reached the end of their mortgage term. But taking all of the above into account, there is no basis on which I could find that it was unfair or unreasonable for Halifax to report Mr and Mrs A's mortgage as being in arrears to credit reference agencies. I would remind Halifax of its obligations to deal with Mr and Mrs A fairly in light of their circumstances, and encourage Mr and Mrs A to engage with Halifax at the earliest opportunity to explore the options and support available to them.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 27 March 2025.

Ben Jennings
Ombudsman