

The complaint

Mr V complains about how National Westminster Bank Plc dealt with payment arrangements on his mortgage and the information it recorded on his credit file.

What happened

In July 2023 more than £20,000 was added to Mr V's NatWest mortgage, for unpaid ground rent and service charges on the mortgaged property. NatWest asked Mr V to repay these charges over 12 months, but Mr V said that would be unaffordable and asked to extend the repayment period.

He also asked about the support available to him under the Mortgage Charter, which had recently been introduced, and whether he could change the mortgage payments to interest-only for a time or extend the mortgage term.

NatWest changed both the main mortgage and the ground rent / service charges balance to interest-only by mistake. It then made mistakes with some of Mr V's payments, and Mr V had to phone multiple times to set up and check on payment arrangements.

Mr V complained. NatWest sent him its final response on 30 October 2023. It accepted that it had got things wrong and that the service Mr V received had been poor. It apologised and paid him £150 compensation. It also credited the mortgage with £30.95, to reflect underpayments to the mortgage (because it had requested the wrong payment amounts) and interest on those underpayments. It confirmed that his mortgage was up-to-date with no arrears, and said his credit file showed an arrangement to pay was in place for August and September 2023, and it would make sure that the level of arrears for August showed no more than two months' arrears.

Mr V referred his complaint to the Financial Ombudsman Service. He said NatWest should pay him more compensation, because its mistakes had a significant impact on his credit score and as a result he got a higher interest rate than he should have done on a loan he took out with another lender.

Our Investigator concluded that NatWest had correctly recorded arrears on Mr V's mortgage for July and August 2023, and that this was the same information the other lender saw when assessing his loan application. He thought that NatWest had paid Mr V fair compensation, and didn't recommend it do any more.

Mr V didn't accept that and asked for an Ombudsman's review. He said that NatWest had accepted it had made a mistake with his credit file, so it couldn't be right that the Investigator had come to a different conclusion.

The complaint was referred to me. I reached a different conclusion to our Investigator, so I issued a provisional decision.

My provisional decision

I said:

“There were several things happening with Mr V’s mortgage at the same time in July 2023: a substantial sum was added to the mortgage balance to cover ground rent and service charges that needed to be paid, Mr V and NatWest were in discussions about the term over which that sum would be repaid, and Mr V wanted to change his mortgage payments to interest-only for six months under the Mortgage Charter, which had been recently introduced.

I don’t think NatWest dealt with the situation well – the various changes it agreed to make to the mortgage weren’t made correctly, and it gave Mr V wrong and conflicting information a number of times. It has, however, accepted that it got things wrong, both in terms of the changes it made to the mortgage and in terms of the information it gave Mr V about them.

Mr V subsequently made up the payments he was asked to so that the mortgage was no longer in arrears. But he says NatWest was wrong to report arrears on his credit file at all, and that this misinformation resulted in an unsecured loan he took out in September 2023 being agreed on a higher interest rate than the rate he would otherwise have got.

NatWest’s records and the screenshot Mr V has provided of the credit file information for his mortgage both show one month’s mortgage arrears were reported for July and August 2023. Mr V has said that in July 2023 he cancelled the direct debit for the mortgage by mistake and didn’t realise until later. The transaction history for the mortgage shows that no payment was received for July 2023. So I think that NatWest was right to record arrears for that month.

Mr V made a card payment of £2,000 by phone on 11 August 2023. That payment was more than enough to cover the July arrears. But NatWest’s records say that this payment was subsequently reversed, and so it didn’t remain credited to the mortgage. The next payment on 30 August 2023 was made successfully by direct debit. That direct debit payment didn’t however clear the July arrears – it only covered the payment due for August. So the mortgage remained one month in arrears, as it had been in July, and that’s what NatWest has recorded on Mr V’s credit file. Mr V subsequently made extra payments to clear the arrears, so for September his mortgage payments have been recorded as up-to-date.

For these reasons, I don’t find that NatWest has continued to report wrong information on Mr V’s credit file. NatWest’s records say that it had recorded a payment arrangement on the credit file for September 2023, but it later removed that. Its records and Mr V’s screenshot don’t show any arrangement or arrears for September, so this amendment appears to have been made. The small underpayments NatWest collected between August and October 2023 haven’t been recorded as arrears, and the interest on those amounts has been refunded to the mortgage, as well as the amounts of the underpayments.

The lender of Mr V’s unsecured loan has told us that it took account of the mortgage arrears for July and August 2023 when it assessed his loan application. But given my conclusion that those arrears were correctly reported, I can’t fairly require NatWest to compensate Mr V for the interest rate he got on the loan, and it follows that I find nothing to indicate that Mr V has lost out financially because of what happened.

I consider that Mr V should fairly receive some compensation in recognition of the impact NatWest’s poor handling of this whole matter had on him. NatWest caused him avoidable confusion, worry, and considerable inconvenience by giving him conflicting and wrong

information and because of the time it took for payment arrangements to be properly set up on his mortgage, and he made multiple phone calls over the course of a few months to try to sort things out.

In all the circumstances and in the light of the time and effort it took Mr V to sort things out, I don't think NatWest's apology and payment of £150 compensation goes far enough, and I propose to award a further £150. I recognise that Mr V's main concern is to receive compensation for the financial loss he considers he has suffered on the unsecured loan interest rate but, for the reasons I've explained, I'm not satisfied that he has incurred such a loss as a result of anything NatWest did wrong."

Responses to my provisional decision

I invited Mr V and NatWest to let me have any further evidence or arguments they want me to consider before I make a final decision.

Mr V agreed with my provisional decision. NatWest didn't reply.

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.

Mr V has agreed with my provisional decision and NatWest hasn't disagreed or added anything further for me to consider. I therefore see no reason to reach a different conclusion to the one I set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint. National Westminster Bank Plc must pay Mr V £150 compensation, in addition to the £150 it has already paid him.

National Westminster Bank Plc must pay the compensation within 28 days of the date on which we tell it Mr V accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If interest becomes payable and National Westminster Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr V how much it has taken off. It should also give Mr V a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 30 December 2024.

Janet Millington
Ombudsman