

The complaint

Miss P complains that Bank of Scotland plc trading as Halifax unfairly recorded mortgage arrears on her credit file.

What happened

Miss P contacted Halifax in March 2023 as she was struggling with her mortgage payments. Halifax agreed a payment deferral for two months. Miss P told Halifax she remained unable to make mortgage payments and Halifax offered a nil payment plan for three months.

Miss P's family helped her clear the arrears in September 2023 and to maintain mortgage payments since then.

However, Miss P found out Halifax had recorded arrears on her credit file for June, July and August 2023. Miss P says if Halifax had told her the nil payment plan would affect her credit file she'd have asked for help from her family instead of agreeing to the payment plan.

Halifax said it didn't make an error. It paid £40 as a goodwill gesture. Miss P says the arrears on her credit file affects her ability to access credit – in particular she can't transfer her credit card balance to a new provider so as to benefit from a zero interest balance transfer. She says her ability to manage and reduce her debts is restricted.

Our investigator said Halifax had made Miss P aware of the impact on her credit file, explained the difference between the payment deferral and the payment plan and recorded accurate information on Miss P's credit file.

Miss P didn't agree and asked that an ombudsman re-consider her complaint.

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.

Miss P told us she's been out of work since early 2022. In March 2023 she contacted Halifax as she was no longer able to maintain mortgage payments. Halifax agreed a two-month payment deferral (also referred to as a payment holiday) for April and May 2023. This didn't affect Miss P's credit file.

Miss P contacted Halifax in June 2023 as she wasn't able to resume payments. Halifax said it couldn't offer another payment deferral. It offered a nil payment plan, which Miss P accepted. This was to give Miss P time to continue to look for employment.

Miss P says Halifax mentioned during her calls that potentially not making payments could affect her credit file. She says she didn't think it applied to her as her mortgage was in a frozen phrase. She says she followed Halifax's advice and kept it informed throughout the process. Miss P says she should have been told when the report to the credit reference agencies was about to happen.

Miss P says she'd have asked family for help if she'd known the payment plan would affect her credit file. Miss P told Halifax in early June 2023 that her family were definitely not in a position to help. In September 2023, Miss P told Halifax that a family member would make a payment to clear the arrears. As Miss P's family did help her later in 2023, I think it's likely they'd have done so if she'd asked them for help in June 2023.

However, I'm not persuaded that the reason Miss P didn't ask for help sooner was because she didn't know that the payment plan would affect her credit file. Miss P told us that asking for help from her family was a last resort and she explored every option available before turning to family. By September 2023 the nil payment plan had ended and Halifax had contacted Miss P about catching up with the missed mortgage payments. Miss P was still out of work and unable to afford mortgage payments. Her arrears had increased. Miss P says the tone of her calls with Halifax changed – she felt it expected her to make payments and no further support options were available. I think it's possible that Miss P asked her family for help in September 2023 because of the more difficult situation she was in, as compared to June 2023.

In addition, having read the evidence and listened to recordings of Miss P's calls with Halifax, I think it did tell her that the payment plan would affect her credit file.

I've listened to Miss P's call with Halifax in mid-June 2023 when the nil payment plan was discussed. Miss P completed a budget. This showed she couldn't afford to pay anything towards her mortgage. Halifax said it could offer a nil payment plan for one, two or three months. It said that if Miss P didn't make payments her mortgage would fall further behind.

Halifax also said *"Impact on your credit file. Being behind will show on your credit file for up to six years, but the impact on your credit score will reduce as time passes. The longer you make reduced payments the larger the impact on your credit score."*

Miss P asked that the plan was in place for three months. Halifax said it would confirm the plan in writing.

Halifax says it wrote to Miss P to confirm the nil payment plan. It provided a copy of the letter. This said it had temporarily paused Miss P's mortgage payments. She didn't need to pay anything towards her mortgage during the pause, but she'd have to make the payments when the plan ends. The letter says Halifax would "need to let the credit reference agencies know when payments aren't being made on a plan".

Miss P says she didn't receive the letter. I can't fairly say that Halifax was responsible if the letter wasn't safely delivered. And this doesn't change the fact that Miss P was told on the call that her credit file would be impacted.

Miss P told us she thought the payment plan was an extension to the payment holiday and Halifax didn't make it clear that it was different. I've listened to Miss P's calls with Halifax in early June 2023. Halifax told Miss P she couldn't have another payment holiday for three years. From what Miss P said on the calls, I think she knew no further payment holidays were available. She said she wanted to discuss what other support was available. Halifax said it can offer support such as payment arrangements, but this can affect her credit file.

Miss P said she had a number of calls with Halifax which were very supportive and she didn't know this was a trigger point for a report to the credit reference agencies. I'd expect Halifax to be sympathetic and consider what support it could offer to Miss P when she told it about her financial difficulties. That doesn't mean it was unfair to record the arrears on Miss P's credit file.

Halifax has to report accurate and up to date information to the credit reference agencies. This is to help lenders understand an applicant's credit position before making a lending decision. ICO guidance says arrears should be reported to accurately show the account position and indicate at the earliest possible opportunity that a customer is showing signs of financial difficulty.

I do understand that having mortgage arrears on her credit file could affect Miss P's ability to access credit and the terms on which she's offered credit. But I don't think the information is inaccurate or unfair. I think Halifax did tell Miss P that the nil payment plan would impact her credit file before she accepted the payment plan.

It follows that I don't think it's fair and reasonable to require Halifax to remove the arrears from Miss P's credit file or pay further compensation.

From what Miss P has said, she might have difficulty managing her debt repayments. If she hasn't already done so, Miss P could consider taking advice from an independent financial adviser or a charity that offers free debt advice, to discuss what options might be available to her.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 10 March 2025.

Ruth Stevenson
Ombudsman