

The complaint

Mr J complains that Aldermore Bank Plc didn't tell him about the impact a non-payment agreement would have on his credit file. He said if Aldermore had explained things properly, he wouldn't have missed his payments.

What happened

Mr J told us he's experienced some severe health issues recently, which have kept him out of work for some time. He has a buy to let ("BTL") mortgage with Aldermore, and he asked Aldermore to pause his payments for a while. Mr J said he thought this was only a temporary problem, he expected to be able to release funds in the next few months by selling a different property, which isn't mortgaged. But that property needed some renovations, and any sale would obviously take some time.

Mr J said Aldermore agreed to delay his payments until after the other property sold, but then it recorded missed payments on his mortgage. Mr J said he'd been told that entering into an arrangement with Aldermore meant his credit file wouldn't be affected. He said when he complained Aldermore accepted he'd been told that his credit file would show as in an arrangement. Aldermore said this advice was wrong, but also said it wouldn't do anything about it. It would only pay £100 in compensation.

Mr J wanted his previously high credit score to be restored. Mr J also thought Aldermore should pay compensation, because of the stress it had caused him.

Aldermore said it had agreed to a non-payment concession for Mr J on 25 June 2024. The concession was then extended for him in September. Aldermore had written to him to confirm this position each time, and Aldermore noted that these letters told Mr J the concessions would impact his credit file. His non-payments would be reported as arrears. Aldermore said that was right, and it wouldn't amend Mr J's credit file now.

Aldermore said that on 14 June, when Mr J was discussing the first non-payment concession he wanted, the agent told him that this would show as an arrangement on his credit file. Aldermore said that was wrong, a non-payment concession is not an arrangement. So Aldermore said it was upholding Mr J's complaint on this point only, and it said it would like to pay him £100 for that.

Aldermore didn't agree that its welfare team had been unhelpful, or that its complaints process had not been correctly followed.

Our investigator thought this complaint should be upheld, but didn't think Aldermore had to remove any evidence of Mr J's missed payments from his credit file. She said when Mr J discussed missing some of his payments with the welfare team on 14 June, the agent told Mr J that arrears would show on his credit file, but his file would also reflect that he'd entered into an arrangement with Aldermore, showing Mr J wasn't just ignoring his debts. This arrangement would also safeguard the account against any further action.

However, our investigator said this was only mentioned briefly, and she thought Aldermore should have explained fully what arrangement would be put in place, and how it would impact Mr J's credit file. She said Aldermore didn't explain the non-payment concession would mean that, when contractual monthly payments weren't being made as agreed under the terms of the mortgage, this would be reported to the credit agencies and impact Mr J's credit file. She thought he should have been told this before he agreed to proceed.

Our investigator also said that Mr J's non-payment concession should have been reported to credit reference agencies as an arrangement. And she said she could see the same problems when the non-payment concession was extended in September.

But our investigator said that didn't mean Mr J's credit file should look the same as if he'd made all his payments during this time. She said because he wasn't paying, Mr J's credit file would always have been impacted. And she said Mr J had clearly told Aldermore that if no arrangement was agreed, he would cancel the direct debit. So she thought even if things had been explained properly to Mr J, he would still have chosen not to make these payments.

Our investigator didn't agree that Aldermore's welfare team was unhelpful. She said the lender had tried to support Mr J, and had worked in line with his wishes not to share information.

Because Aldermore had made mistakes, our investigator said it should pay compensation of £200 in total. And it should amend Mr J's credit file to show him in an arrangement during the time he had a non-payment concession in place.

Mr J strongly disagreed. He said having the maximum credit score was something he'd worked hard to maintain, and his score was now damaged beyond repair. £200 didn't make up for that. Mr J said the letters he was sent came too late to put right what had been done.

Mr J said he could have avoided all of this with a quick sale of assets. He hadn't done that because he didn't want the stress or financial loss, but he could have made different choices if things had been explained properly. He said the stress of all this alone merited compensation of £2,000. And he said he couldn't put a final figure on things until he knew how much the arrangement being on his credit file would impact his credit score.

Aldermore also replied, arguing that it had reported accurately, but our investigator said the reporting she could see wasn't an arrangement, and Mr J's credit file should show an arrangement. Aldermore then agreed to make the change our investigator suggested, to show Mr J's account as in an arrangement between July and November 2024. But Mr J still thought £200 was nowhere near enough compensation. Because no agreement was reached, this case then 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.

There's no dispute that Mr J didn't pay his mortgage between July and November 2024, or that he'd discussed this position with Aldermore, and it had agreed this with him.

Aldermore says Mr J wasn't in an arrangement, because it thinks an arrangement is when someone is paying a smaller amount than they owe each month, and here, Mr J wasn't paying anything at all. So Aldermore says it was right to just tell credit reference agencies that his account was in arrears.

But we know Mr J had proactively contacted Aldermore to let it know he would have difficulties meeting his payments for some months, and to get Aldermore to agree that he could pause payments. That's very different to just not paying, and irresponsibly ignoring debts that are piling up. So, like our investigator, I would expect Mr J's credit file to show that payments were missed, but importantly, also to show that an arrangement about this had been reached with the lender (often abbreviated to "AR" by credit reference agencies). And if Aldermore thought that Mr J couldn't be in an arrangement unless he was paying some amount, however small, it could always have suggested Mr J pay a token amount.

I'm pleased to see that Aldermore has now agreed to amend Mr J's credit file to show him in an arrangement between July and November 2024, when his payments were missed.

But Mr J says it isn't fair for Aldermore to record anything negative at all on his credit file. He says Aldermore didn't tell him how this agreement would impact his credit score. He also says that if it had told him this, he could have taken steps to avoid that impact.

So there are two parts to Mr J's complaint here – was Mr J told what to expect by Aldermore, and if he had been told, would he have avoided the problem?

On the first part, I agree with our investigator that Mr J was not told clearly what to expect. I don't think that the discussion of how an arrangement would affect Mr J's credit file (which was only briefly touched on in a call almost an hour and a half long) was sufficiently clear and detailed for Mr J to understand how Aldermore should have recorded his payment arrangement. And I don't think the letters Aldermore then sent explained this clearly either.

If Mr J wasn't told clearly what to expect, then he would still be surprised and disappointed to find how this had impacted his credit file. And that would still have happened, even if Aldermore had recorded things properly. So I do think that Aldermore should pay some compensation, to make up for that distress. I'll return to this below.

There's then the second question, whether Mr J could have avoided any impact on his credit file at all. I know Mr J now says he would have sold assets at a reduced value, to avoid the problems he's now experiencing because of a low credit score. However, I have to bear in mind that Mr J says this with the benefit of hindsight, and what I must base my decision on is the choices I think it's most likely he would have made at the time.

In this context, what Mr J actually said at the time can provide important evidence. So I've listened carefully to the calls that Mr J had with Aldermore, and in particular a call on 14 June where Mr J and the agent discussed his financial situation at the time. Mr J was very reluctant to give details of his position, he denied being in financial difficulties, but also said that he didn't have the money to keep paying his mortgage. He said there were some options open to him, such as borrowing from a friend, although he later said that this friend had other, major financial commitments at that time.

However, it is notable that Mr J stated very clearly, on a number of occasions, that if Aldermore didn't agree a payment plan with him, he wouldn't pursue any other option to make his payments. Instead, he would simply cancel his direct debit. Mr J appeared to understand and accept that this would damage his credit standing, but said he would be forced to do that if Aldermore wouldn't agree to let him stop making payments.

I know Mr J now says he could have sold assets much faster, to fix the cashflow problems he was having. But Mr J didn't appear to be seriously contemplating any other options at the time of this 14 June call, other than a payment arrangement with Aldermore or cancelling his direct debit entirely. Because of that, I think that it's likely that if Aldermore had explained fully to Mr J how his credit file would be affected by missed payments, even with an agreement in place for this, then Mr J would still have taken that option.

Mr J says that what our service has suggested, a payment of £200 and the change set out above to his credit file, just isn't enough to make up for what's happened here. But my decision is reached on the basis that I don't think it's most likely Mr J would have avoided any impact at all on his credit file. So I'm not saying Aldermore should pay compensation to make up for how Mr J has been impacted by that credit file damage. I'm saying it should pay compensation, in part, to make up for Mr J not being told sooner that this would happen.

I know that Mr J will be disappointed by my decision, but I don't think Aldermore has to do more than that.

My final decision

My final decision is that Aldermore Bank Plc must amend Mr J's credit file to show him in a payment arrangement between July and November 2024, and pay him a total of £200 in compensation. Aldermore Bank Plc can count the offer of £100 that it previously made towards that £200 sum, only if that £100 has already been paid to Mr J.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 23 April 2025.

Esther Absalom-Gough
Ombudsman