

The complaint

Mr and Mrs T complain that Topaz Finance Limited trading as Hessonite Mortgages unfairly reported mortgage arrears to the credit reference agencies.

What happened

Mr and Mrs T have several buy to let mortgages with Hessonite. Mr T called Hessonite in May 2024. He wanted to make a part payment of £100 to each mortgage account. He wanted to suspend the direct debit and make up the monthly payments due in May 2024 on 1 June 2024. Mr T said he was concerned that he might not receive rent for the properties until after the bank holiday.

Hessonite recorded mortgage arrears on Mr and Mrs T's credit files for May 2024.

Hessonite had made an error with Mr and Mrs T's direct debit in 2021. This meant it didn't collect enough funds to cover their contractual monthly payments. The accumulated arrears plus the underpayments in May 2024 meant three of the mortgage accounts were in arrears of more than one month at the end of May 2024.

Mr T says Hessonite didn't tell him about the arrears on the accounts. He says if it had, he'd have made higher payments to avoid having arrears of more than one month. Mr T says Hessonite agreed in June 2024 to remove the arrears markers, and then failed to do this.

While Hessonite accepts it had made an error with the direct debit, it didn't agree to remove the arrears markers. It said annual statements sent to Mr and Mrs T showed the accounts were in arrears. It said it told Mr T about the arrears when he called in May 2024. Hessonite said Mr and Mrs T could have brought the accounts up to date and avoided the arrears being recorded on their credit files.

Our investigator said Hessonite made Mr and Mrs T aware of the arrears in statements and during the call in May 2024. Our investigator said the arrears markers were accurate and Hessonite's offer of £200 was fair and reasonable compensation for poor service.

Mr and Mrs T didn't agree and asked that an ombudsman re-consider the matter.

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.

Hessonite made an error. It didn't set up a direct debit correctly in 2021. This meant Mr and Mrs T were making underpayments and arrears accumulated on three of their buy to let mortgage accounts.

Hessonite didn't send letters about the arrears to Mr and Mrs T or report arrears to the credit reference agencies before May 2024. That's because until May 2024 the arrears were less than one month's contractual monthly payment (CMP).

Hessonite did send Mr and Mrs T statements at the end of each year that said the accounts were in arrears. This was stated on the front page of the statements. The statements for each mortgage showed the expected payments, debits and credits for the main mortgage account and the sub account. There were no payments shown as credited to the sub account.

Mr T says Hessonite didn't allocate the payments he made in May 2024 correctly. I don't think that's right, but it wouldn't change the outcome here anyway. Mr T made payments of £100 to each account in May 2024. This was less than the CMPs (of between £1,700 and £1,900). Crucially, this was also less than the arrears on the three accounts (the arrears were between £350 and £450 by May 2024). This meant these three accounts would be in arrears of more than one month's CMP, regardless of whether the £100 was correctly applied to each account.

I've listened to Mr T's call with Hessonite in May 2024. Hessonite said it could suspend the direct debit for May 2024 but had to make Mr T aware that arrears would be reported if the accounts were in arrears of one month or more at the end of the month. It said one account would be OK as it was slightly in credit. Hessonite said there were "*arrears already on the other three so it might have an impact on those three*". Mr T said he was aware of that, but wanted to suspend the direct debit just in case there was a delay with the rent coming in.

I understand Mr and Mrs T are upset that there are arrears markers on their credit files. But I can't fairly require Hessonite to remove the arrears markers unless they're inaccurate or unfair.

Three of Mr and Mrs T's mortgage accounts were in arrears of more than one month's CMP at the end of May 2024. So when Hessonite reported this to the credit reference agencies, this was correct information.

I've thought carefully about whether it's fair to require Hessonite to remove the arrears markers on Mr and Mrs T's credit files. Hessonite was responsible for the error with the direct debit that meant arrears accumulated on Mr and Mrs T's mortgage accounts. But I don't think Hessonite's error was the only reason for the accounts being more than one month in arrears at the end of May 2024.

The statements Hessonite sent to Mr and Mrs T in 2022 and 2023 said there were arrears on their mortgage accounts. Hessonite told Mr T that being in arrears of more than one month would result in arrears being reported to the credit reference agencies. During the call in May 2024, it said that three of the mortgage accounts were already in arrears and might be impacted. I must take into account that these are buy to let mortgages, so Mr and Mrs T are responsible for managing them as part of their business of letting out property.

Taking all of this into account, I think Hessonite did enough to make Mr and Mrs T aware that there were arrears on the accounts before they made the underpayments in May 2024. I know Mr and Mrs T will be disappointed, but I don't think it's fair and reasonable in the circumstances to require Hessonite to remove the arrears markers from Mr and Mrs T's credit files.

Hessonite did make errors. It made an error with the direct debit payments. When Mr T contacted it in June 2024 it suggested it would arrange for the arrears markers to be removed, when this wasn't the case. Hessonite offered £200 for the upset this caused. I think, in the circumstances, this is fair and reasonable.

My final decision

My decision is that Topaz Finance Limited trading as Hessonite Mortgages should pay £200 to Mr and Mrs T. It can deduct any compensation already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 11 April 2025.

Ruth Stevenson
Ombudsman