

The complaint

Mr and Mrs W's complaint relates to a second charge loan they had with Elderbridge Limited. They are unhappy that Elderbridge told them their mortgage was in arrears in 2024 when they stopped making payments, as they believe they'd historically made overpayments that would cover the payments due. As such, Mr and Mrs W want Elderbridge to change the information it sent to credit reference agencies so that the late payment it recorded is removed from their credit files.

What happened

Mr and Mrs W took out their second charge loan in 2006. They borrowed £118,265.50 over a term of 25 years on a repayment basis. The interest rate was variable, and at the time it was 8.13%, which required them to pay just under £925 each month. The loan was transferred to Elderbridge in 2016.

In recent years, Mr and Mrs W made manual payments to the loan, with a payment being made at least weekly, but usually more often. From June 2022, each payment made was £88.

Elderbridge has confirmed that when Mr and Mrs W's payments meant they had paid more than they were due to on the mortgage, the excess remained on the account as a pre-payment until the next monthly payment was due. After that, some of the overpayment was paid off the capital balance, leaving a lower amount on the account available to be used for the next payment due.

In December 2022 Mr W called Elderbridge to check what the contractual monthly payment was. This information was confirmed, as was the amount the account was in credit. The agent told Mr W that he should not rely on the account being in credit to pay the monthly payment and that at the end of the month the credit would be taken off the mortgage balance. It was confirmed that if Mr and Mrs W stopped making payments any credit would disappear and they would start to get letters from Elderbridge. However, if they continued to make the twice weekly payments they were, there was nothing to worry about.

In April 2024 Mr and Mrs W were sent an arrears letter. This was because one of their payments needed for the April 2024 mortgage payment was not received until the day after the payment was due. They complained.

On 27 May 2024 Elderbridge responded to the complaint. It explained that as the final payment they had made for April had reached their mortgage account the day after the monthly payment was due, its systems had generated an arrears letter. It apologised if the letter had upset Mr and Mrs W, but it was required to keep borrowers up to date with the status of their account and so it didn't consider it had done anything wrong. Elderbridge confirmed that it had not reported anything adverse on Mr and Mrs W's credit files.

Mr and Mrs W stopped making payments to the mortgage in May 2024 – the last one was made on 10 May 2024. While the mortgage was in a small amount of pre-payment at the end of April 2024, that balance plus the payments made in May were not sufficient to cover

the May mortgage payment of slightly over £700. The mortgage was recorded as being in arrears of £350.08, but as this was less than the amount of the monthly payment, it was not reported to credit reference agencies.

Elderbridge wrote to Mr and Mrs W on 29 May 2024 telling them that their account was in arrears. It told them by how much and that it could take payment over the telephone, or by cheque. It was confirmed that the payment history was recorded with credit reference agencies, so missing payments might make obtaining credit more difficult. Elderbridge offered to see if it could help if Mr and Mrs W were in financial difficulties. Elderbridge has told us this letter was followed up with reminders on 12 and 19 June 2024, although it has not provided copies of the letters.

On 15 June 2024 Elderbridge's system flagged the account for review as it was in arrears. The notes of the review stated that no call was made to Mr or Mrs W because Elderbridge could see from the payment profile that £88 was paid every couple of days to bring the account up to date. Therefore, any action was postponed to the end of the month to await payments.

On the same day, Mr and Mrs W were sent their annual mortgage statement. This again confirmed that the mortgage was in arrears and by how much.

No payments were made by Mr and Mrs W in June 2024.

Mr W telephoned Elderbridge on 28 June 2024. He asked what the remaining term was on the mortgage and how much the arrears were. He was given the arrears figure and reminded that another payment was due that day and was given the amount of it. The agent asked if Mr W was looking to make a payment that day – Mr W confirmed that he was, but he needed to move money around in order to be able to do so. He explained that they weren't using the bank account the payments had previously been made from, and so he didn't have account details – these were provided. The agent asked if Mr W preferred making the payment via bank transfer and seems to have been about to offer to set up a direct debit mandate. Mr W interrupted and confirmed that he would be setting up a payment to be made on the first of each month to cover the whole contractual payment and making another payment to cover the arrears. A redemption statement was sent, as Mr W had told the agent that they had funds from the sale of another property, and were expecting more from another property sale, and were deciding what to do with it.

A payment for the amount Mr W was told was needed was received by Elderbridge on 1 July 2024. As no payments were made in June 2024, the arrears exceeded one monthly instalment at the end of that month, and they were reported to credit reference agencies.

Mr and Mrs W repaid the mortgage on 10 July 2024. As the payment they had made on 1 July 2024 had not been factored into the redemption figure provided at the end of June, it meant that the redemption figure had been higher than the amount needed to clear the mortgage balance. As such, Elderbridge refunded the surplus.

Mr and Mrs W complained, as they were unhappy that Elderbridge had reported adverse information to credit reference agencies. They were also not convinced that it was correct saying that the mortgage was in arrears, given the amounts they had paid to the mortgage – they thought the pre-payment balance should have been high enough that the arrears would not have equalled one month's contractual payment.

Elderbridge responded in a letter dated 10 September 2024. It explained that while the mortgage had been in pre-payment credit, that had not been sufficient to cover the May payment and once the June payment was also missed, the amount of the arrears was such

that it reported it to credit reference agencies. It was satisfied that it had acted correctly in this regard. Elderbridge also confirmed that it had told Mr and Mrs W about the arrears caused by the underpayment in letters dated 29 May, 12 June and 19 June 2024, all of which highlighted the potential consequences. In addition, it confirmed that it had tried to call Mr and Mrs W several times, but its calls were not answered. As such, it was satisfied that Mr and Mrs W had been aware of the arrears at an early stage and well before anything adverse was reported to credit reference agencies.

Mr and Mrs W were not satisfied with the response they received and referred their complaint to this Service.

Elderbridge explained that when a borrower makes an overpayment, if there are arrears it will be directed to repay that balance, but otherwise it is credited to the mortgage balance and reduces it.

One of our Investigators considered the complaint and he upheld it. He highlighted the only potential telephone contact with Mr and Mrs W in June 2024 had not been made, which in the circumstances he didn't think was a failing on Elderbridge's part. The Investigator was satisfied that had this call been made and a proper explanation given, Mr and Mrs W would have made a payment earlier and the mortgage would not have gone into enough arrears to have been reported. As such, he considered that Elderbridge should remove the report of arrears for June 2024 from Mr and Mrs W's credit files and also pay them £200 for the distress and inconvenience its error caused them.

Elderbridge didn't accept the Investigator's conclusions. It considered that Mr and Mrs W had been made aware of the need to have made sufficient payments to the mortgage before the contractual due date on numerous occasions between 2017 and 2024. They were fully informed of the arrears, and in the conversation of 28 June 2024, they were reminded that the payment was due that day. Although Elderbridge acknowledged that it did not remind Mr W of the credit file implications of a payment not reaching it that day, it said that they had been told about this previously. It asked that the complaint be referred to an Ombudsman for consideration.

Mr and Mrs W acknowledged receipt of the Investigator's conclusions, but they didn't provide any further comment.

I issued a provisional decision on 26 February 2025, which set out my conclusions and reasons for reaching them. Below is an excerpt.

'Mr and Mrs W made the decision to stop making payments to the mortgage in May 2024. In light of the arrears letter they received at the end of April, they would reasonably have known that the account was not in around £800 of credit as they have said they believed. Only £440 in payments was made after the April 2024 payment date and some of that was needed to cover the April payment. Furthermore, Mr W was very clearly told in December 2022 that they should not rely on a pre-payment balance being on the account to cover the monthly payments.'

At the end of May 2024 when the mortgage payment was due, there was insufficient credit to cover it. Mr and Mrs W were told the account was in arrears the following day. They would have known that there were no credits in the pipeline to cover the arrears, as they had stopped making any payments weeks before. They were reminded of the presence of arrears on the account four times by 19 June 2024, but they didn't take immediate action following any of the three notifications, as they had done in April when they didn't think the arrears notification was correct.'

Elderbridge's notes of the assessment of Mr and Mrs W's account on 15 June 2024 shows that its analysis of the situation was faulty. Contact with Mr and Mrs W was postponed to the end of the month on the basis of how they had made payments previously, but the agent didn't seem to register that no payments had been made at all in the last month, where previously ten payments would have been made in that time. So Elderbridge did miss an opportunity to speak to Mr and/or Mrs W. As such, I need to consider what is likely to have happened had the call been made, and Mr or Mrs W spoken to.

I am satisfied that Mr and Mrs W were aware and accepted their mortgage account was in arrears on 15 June 2024, as they had not disputed it as they did in April when they thought Elderbridge was wrong. They had not responded to two letters about the situation that had previously been sent. I am not persuaded that had a call been made on 15 June 2024, Mr and Mrs W would have made a payment that day or any earlier than they did.

Mr W explained when he spoke to Elderbridge at the end of June 2024 that they had sold a property, and were selling another, and were deciding what to do with the proceeds. No financial difficulties were mentioned. It would seem likely that the sales of their other properties were why Mr and Mrs W stopped making payments to the mortgage in May 2024 – they anticipated repaying the mortgage imminently. In the circumstances, I am not convinced that had Elderbridge spoken to Mr or Mrs W in the middle of June 2024 they would have indicated that there were financial difficulties or given Elderbridge the impression that the mortgage was likely to go into further arrears. So I can't conclude that Elderbridge should have discussed the consequences of a further payment being missed. Nor do I think that it is likely that a payment would have been made at that time.

As for the conversation of 28 June 2024, Elderbridge asked if Mr W wanted to make a payment that day and its letters had said that a payment could be taken over the telephone. Mr W said that he needed to move some money around to be able to make a payment, which I think, reasonably, Elderbridge took to mean that he was not in a position to make a payment over the telephone during that conversation. It provided the information Mr W needed to make a bank transfer that day. Depending on the method of transfer Mr and Mrs W used, it would have been possible for them to have made a payment that would have reached Elderbridge before the end of the banking day. However, the payment did not reach Elderbridge until the Monday, after the due date and after the end of the payment month. I can't hold Elderbridge responsible for the payment not reaching the account in time and I don't consider it was wrong to record the June 2024 payment as having been made late.

While a lender doesn't have to report to credit reference agencies, if it decides to do so, it should report on all its customers in the same way and it has to ensure that the information provided is accurate. Elderbridge reported the June 2024 payment as having been missed and that the mortgage was in more than one month's worth of payments in arrears at the end of June 2024. That information was not incorrect, and it was not unfair of Elderbridge to have reported as it did.

I consider that Elderbridge should probably not have delayed speaking to Mr and Mrs W in the middle of June 2024. However, I am not persuaded that if it had, Mr and Mrs W would have been in a different position than they were at the beginning of July 2024.'

Elderbridge confirmed that it accepted my provisional decision and had nothing to add.

Mr and Mrs W also confirmed that they had nothing to add.

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 have reviewed the file again in its entirety and having revisited my provisional decision, my conclusions have not changed. I remain satisfied that this complaint should not be upheld.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs W to accept or reject my decision before 14 April 2025.

Derry Baxter
Ombudsman