

The complaint

Mr W and Ms W had a mortgage account with The Royal Bank of Scotland Plc. They complain that the bank incorrectly reported their account as being in arrears to the credit reference agencies.

What happened

Mr W and Ms W had a mortgage account with RBS - known as a One account flexible mortgage - from February 2008. It was an interest-only mortgage for borrowing of £225,000.00 at that time. The mortgage was redeemed at the end of 2024. Mr W and Ms W's complaint is that RBS has been incorrectly recording arrears on the account even though they say that there were no arrears.

Mr W and Ms W make their mortgage payment each month not by the direct debit system but partly by standing order and partly by cheque. In the past they made overpayments the total of which was recorded in the quarterly mortgage statements they received. Mr W and Ms W say that they were making the same payments in 2024 as they were in 2023 so there shouldn't be any arrears and if there are it's because RBS didn't cash the cheques they submitted in a timely manner. Our investigator didn't recommend that the complaint should be upheld as he said the evidence indicated that during 2024 Mr W and Ms W weren't making their payments to the mortgage as they fell due and this created arrears which RBS duly recorded. Mr W and Ms W disagreed and asked for a review.

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 W and Ms W had an interest-only mortgage with RBS since 2008 which was coming to the end of its term and was in fact redeemed at the end of last year. Mr W and Ms W were required to make monthly payments to meet the interest due each month on the borrowing. They could also overpay, and I note that in the quarterly statement dated July 2024 it records that by overpaying they had an available facility of £12,663.01. My reading of the mortgage offer is that this meant that the borrowing was reduced and so they benefited from a lower monthly payment, and they also seem to have had a facility to borrow back.

The issue here is that Mr W and Ms W overpaid, had this facility, and then in 2024 failed, say RBS, to make their full monthly interest payments as they fell due. So, although the One Account had accumulated a credit, RBS recorded the mortgage payments as in arrears.

Mr W and Ms W didn't make the payments by direct debit but partly by standing order and partly by cheque. In our investigator's email of 22 May 2025, having examined the figures provided by Mr W and the bank, he set out a table showing the amounts that Mr and Ms W paid in 2024 and that these were lower than the amounts they should have been paying. Although there were small surpluses in some months, in the period January to September I've calculated that there was a deficit in payments of about £1,571.60. Mr W has an issue that RBS didn't cash the cheques he sent promptly but that doesn't affect the overall picture

of Mr W and Ms W making less payments than they should have done during this period.

So, although Mr W and Mrs W had accumulated credits to the account in the past, in 2024 they weren't making the payments they were required to make under the terms of the mortgage. RBS reported these as arrears. Is that fair? The Information Commissioner's office issued guidance on this – Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies. Under the Principles at 2 it says, *"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears"*. Mr W and Ms W payments fell short of the agreed amount during 2024 and so RBS reported the account as in arrears and that seems to have complied with that guidance. Mr W and Ms W benefited from the overpayments in that that they were required to pay less per month than would otherwise be the case, but they were still expected to make the monthly payments as they fell due. As they did not do so I can't say that RBS was wrong to report that as arrears to the credit reference agencies and I can't fairly uphold this complaint.

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 Mr W and Ms W to accept or reject my decision before 20 August 2025.

Gerard McManus
Ombudsman