

The complaint

Mr and Mrs S complain that Nationwide Building Society didn't inform them of the implications of entering into a payment arrangement on their mortgage and, in particular, the effect that would have on their credit files.

What happened

In 2022 Mr and Mrs S switched to a two-year fixed rate on their Nationwide mortgage. A copy of their mortgage offer from that time shows they owed approximately £219,000. Of that, approximately £216,000 was set up on an interest only payment basis. Six years and seven months remained on the mortgage term.

In September 2024, as their fixed rate was coming to an end, Mr and Mrs S planned to sell a property they let to repay their outstanding Nationwide mortgage. They had a buyer for their let property and understood their sale to be proceeding.

On 20 September 2024, Mr S called Nationwide to discuss his monthly mortgage payment as it had increased significantly because the fixed rate had ended. He explained he can't go on a new fixed rate because he wanted to repay the mortgage when the sale of his let property completed and didn't want to incur an early redemption charge. As a result of the call Mr and Mrs S went on to a reduced payment arrangement.

On 15 November 2024 Nationwide wrote to Mr and Mrs S confirming their direct debit had been cancelled at their request, meaning payments would no longer be collected automatically.

As of 14 January 2025, Mr and Mrs S' property sale was still proceeding and there were several conversations between Mr S and Nationwide, including a request for a redemption statement and confirmation that Mr and Mrs S expected to complete within a month. Unfortunately, that didn't happen because Mr and Mrs S' purchaser pulled out.

Mr S called Nationwide to inform it of the failed sale on 18 January 2025. And, during that call, he was informed by Nationwide that an arrears amount of approximately £2,500 was present on the account. But Nationwide agreed to address the issue of the interest rate before making an arrangement to repay the arrears. An appointment with a mortgage adviser was arranged in that regard.

On 22 January 2025, Mr and Mrs S requested a new tracker rate mortgage of 5.64%. And on 24 January 2025, following the failure of Nationwide to call Mr S as promised, Nationwide confirmed that rate would start from March's payment. That meant the contractual payment for February was £1,410 and the contractual payment for March was £1,066.

Nationwide's payment record shows Mr and Mrs S paid the following amount over the time period in question:

- 18 October 2024 - £800.00
- 15 November 2024 - £800.00

- 11 December 2024 - £800.00
- 14 January 2025 - £800.00
- 14 February 2025 - £1,060.00
- 14 March 2025 - £1,027.00

Mr and Mrs S then paid £3,530.00 on 15 April 2025 to repay the arrears balance.

Mr and Mrs S complained to Nationwide towards the end of February 2025 and had a number of conversations with it in that regard. In its final response letter dated 13 March 2025, Nationwide acknowledged that its failure to call Mr and Mrs S as promised on 24 January 2024 led to the tracker rate start date being delayed and additional incorrect contact about the level of arrears on the account. It agreed to backdate the start of the tracker rate and pay Mr and Mrs S £200 for the inconvenience caused.

On 26 March 2025 Nationwide wrote to Mr and Mrs S offering to pay them a further £50 for contacting them about the arrears when it had agreed not to for a specific period. And on 15 April 2025, following a further complaint, Nationwide wrote to Mr and Mrs S saying it would not remove previous credit file entries relating to the arrangement and the arrears, but it's reporting to credit reference agencies (CRAs) will reflect when the mortgage account is brought up to date.

Dissatisfied with Nationwide's response, Mr and Mrs S asked us to consider their complaint. They say Nationwide didn't inform them that the payment arrangement they entered into would affect their credit files. They say they were offered a payment arrangement by Nationwide when they didn't need one. Mr and Mrs S also say, because Mr S suffers from multiple sclerosis (MS), he wouldn't have understood, even if Nationwide had told him the implications of the payment arrangement.

Our investigator said Mr and Mrs S had asked for the payment arrangement and Nationwide was clear about the impact of it on their credit files. However, on close examination of Nationwide's reporting to CRAs, he thought Nationwide should make some adjustments. Specifically, he said reporting should be as follows:

- November 2024 – OK
- December 2024 – Payment arrangement (AR)
- January 2025 – AR
- February 2025 – Account in arrears (AA)
- March 2025 – AA
- April 2025 – AA
- May 2025 – OK

Our investigator confirmed that Nationwide had explained its reporting shows one month behind on credit files.

Nationwide agreed to amend Mr and Mrs S' credit files as our investigator requested. But Mr and Mrs S didn't agree. Mr S explained and provided evidence to support the effect MS has on cognitive function. He says that shows he could not have understood what Nationwide told him about the payment arrangement it set up for them. He also says a call with a Nationwide representative called "*Tom*" demonstrates his lack of understanding.

As Mr and Mrs S did not agree with our investigator, their complaint has been passed to me for a 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.

To decide Mr and Mrs S' complaint, I've thought about whether Nationwide explained that a payment arrangement would have an impact on Mr and Mrs S' credit files, whether it was reasonable for Nationwide to expect Mr S to understand that and whether it reported information relating to Mr and Mrs S' mortgage account fairly to CRAs. In doing so, I've also given careful consideration to Mr S' submissions and evidence about the effect of MS on cognitive function.

Mr and Mrs S say they didn't need a payment arrangement, so Nationwide shouldn't have advised them to take one. As I've said, Nationwide has provided a recording of a telephone conversation with Mr S on 20 September 2024. During the call Mr S explained that he didn't want to get a new rate deal because he wanted to redeem his mortgage from the proceeds of an ongoing property sale.

Nationwide said there were two choices – it could go through an income and expenditure assessment and set up a reduced payment arrangement or it could look into converting the mortgage to interest only/extend the term under the 'mortgage charter' scheme. Mr S pointed out that he was already on interest only meaning he'd not benefit from the latter option, even if he could extend the term. On checking that, Nationwide acknowledged Mr and Mrs S would not benefit from a concession under the mortgage charter.

Nationwide said the only option to satisfy Mr and Mrs S' request was to go on a concessionary payment arrangement but that would impact their credit files. Nationwide said a 'less than interest' payment arrangement (a monthly payment lower than the interest charged to the account each month) would also mean arrears would accrue and asked Mr S whether the credit file was an issue. It said that could affect any application for future borrowing. Mr S said:

"There won't be any future borrowing."

And:

"At my state of life, I don't care too much about my credit file anyway."

It should be noted that Mr S made that call to Nationwide and that he requested that his payments were reduced.

My impression of Mr S from that call recording was one of a man who had a firm understanding of his financial circumstances and of how mortgages generally worked. I say that because he understood more quickly than the Nationwide representative that he and Mrs S would not benefit from any concession available under the mortgage charter. His comments when asked about the effect of a payment arrangement on credit files persuade me that he had a clear understanding of what he was being asked and that his and Mrs S' credit file was not their priority.

I have considered Mr S' comments about the effects of MS and the supporting evidence provided. Having done so, I don't doubt that MS, sadly, has had an incredibly debilitating effect on him. And I don't doubt that it does, to a greater or lesser extent, have a negative impact on cognitive function – in many cases that must impair an individual's ability to understand and deal with financial issues, such as these. But the many call recordings I've listened to don't persuade me that Mr S wasn't capable – during the time period in question

– of dealing with his and Mrs S' mortgage affairs. So, I think it was also reasonable for Nationwide to believe that Mr S was capable of dealing with his mortgage affairs and that he understood what he was being told about the impact of a reduced payment arrangement on Mr and Mrs S' credit files.

I note also that Mr S has chosen to take the lead not only in dealing with Nationwide but also in dealing with us in respect of his complaint. It is clear from Mr S' correspondence that he does find that challenging. However, Mr S hasn't allowed Mrs S to take the lead, appointed a representative or a power of attorney to deal with these matters on his behalf. That doesn't mean that Nationwide shouldn't have taken his condition into account when dealing with him. But I think it was reasonable for Nationwide to believe he had a reasonable understanding of the implications of the payment arrangement, and financial matters more generally, from its interactions with him.

Nationwide, like all regulated providers of credit, has a duty to provide accurate information to CRAs. Mr S' medical condition isn't a factor Nationwide is expected to take into consideration when reporting to CRAs. I would expect Nationwide to make corrections to its reporting if it was inaccurate to Mr and Mrs S' detriment, or if its reporting was unreasonable due to an error it caused.

Our investigator has set out how Nationwide should report to CRAs during the period of time relevant to this complaint. Nationwide agreed to our investigator's request in that regard. Having assessed our investigator's request against the payment record and what we know about the reduced payment arrangement made, I don't think that reporting is unfair or unreasonable to Mr and Mrs S.

Mr and Mrs S have pointed to a telephone conversation Mr S had with Nationwide towards the end of the period in question. Mr S says he spoke with a representative called "Tom" and that conversation demonstrates his lack of understanding – caused by the effects of MS. Nationwide hasn't been able to trace a call handled by a representative called "Tom." I understand from Mr S' submissions that he thinks that conversation is significant to the outcome of this complaint. But I don't agree. I say that because I think it was reasonable for Nationwide to believe Mr S understood the implications of the payment arrangement in September 2024 when it was set up. By the time any call with "Tom" is likely to have happened, the payment arrangement was already set up and run its course. So that arrangement and the arrears that arose from it needed to be reported to CRAs.

Putting things right

Nationwide has agreed to amend Mr and Mrs S' credit files to show the following:

- November 2024 – OK
- December 2024 – Payment arrangement (AR)
- January 2025 – AR
- February 2025 – Account in arrears (AA)
- March 2025 – AA
- April 2025 – AA
- May 2025 – OK

If it hasn't already made the necessary amendments, it should do so now.

Nationwide also offered to pay Mr and Mrs S a total of £250 to compensate them for the distress and inconvenience caused by some minor service failings. I've not been asked to

consider those, but I think Nationwide should pay Mr and Mrs S in that regard now, if it hasn't done so already, given that it offered to do so.

My final decision

My final decision is I uphold part of Mr and Mrs S' complaint against Nationwide and it should carry out amendments to Mr and Mrs S' credit file to reflect what I've outlined in the 'putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 21 October 2025.

Gavin Cook
Ombudsman