

The complaint

Mr K and Ms D complain about the way Aldermore Bank Plc (Aldermore) has handled their mortgage.

What happened

Mr K and Ms D took out a mortgage with Aldermore on 20 May 2019. The mortgage was redeemed in June 2025.

Mr K and Ms D have raised numerous issues with the way Aldermore has handled their mortgage account over the years. In summary, they say:

- Aldermore has overcharged them for the first mortgage payment relating to May 2019.
- Following a payment holiday between April and September 2020, Aldermore added capital and interest to the mortgage balance, which was incorrect. They would like Aldermore to return the capital and associated interest to them from September 2020.
- Aldermore has not applied the overpayments they made between February 2021 and May 2023 to the mortgage balance. They would like the overpayments to be applied to the mortgage balance and for the mortgage to be recalculated to include these, as they say that the monthly interest payments from March 2021 onwards are incorrect as a result of this.
- When their fixed rate ended in May 2024, their contractual monthly payment (CMP) was more than it should have been according to mortgage calculators based on the interest rate and outstanding balance.
- Aldermore told them that the outstanding balance was higher than that which it had reported to credit reference agencies (CRAs).
- Despite agreeing to an interest-only period under the Mortgage Charter (MC) in September 2024, Aldermore inaccurately reported missed payments to CRAs. They would like the missed payments to be removed from their credit reports and compensation for the trouble and upset caused.
- The breakdown of capital and interest is not correct and they would like Aldermore to provide a calculation showing that the mortgage would have been paid off within the term.

Aldermore upheld part of Mr K and Ms D's complaint due to errors made and the poor level of service they received. It accepted that its correspondence following the payment holiday in 2020 may have caused confusion as to how the missed payments would be capitalised. It also accepted that it was not made clear to Mr K and Ms D how their overpayments would be recorded or how they would be used to offset the overall mortgage balance.

Aldermore reviewed the CMP following the end of the fixed rate and confirmed that this had been charged correctly. However, it noted that due to an administrative error, it had sent correspondence to Mr K and Ms D incorrectly recording the interest rate as being 9.73% (instead of 10.48%) since they moved onto the Aldermore Managed Rate. Whilst this had

not impacted the way that their payments were calculated, Aldermore accepted that this may have caused confusion and arranged for the error to be amended to ensure that future correspondence was correct.

Aldermore reviewed both the mortgage account and what it had reported to CRAs and said that the outstanding amount had been correctly reported.

In respect of the MC, Aldermore says that although it sent Mr K and Ms D an illustration in September 2024, they had not returned the signed acceptance form. Therefore, no formal arrangement was in place for them to only pay the interest under the MC and they would still be expected to make full monthly repayments. Aldermore later explained that the MC was not formally agreed until 21 December 2024 when it received the signed agreement. The previous three months' payments were therefore treated as underpayments, which meant that the account was considered to be in arrears and reported to CRAs. Whilst Aldermore maintained that arrears had not been recorded in error, it accepted that Mr K had spoken to different colleagues to make manual payments and they should have made him aware that there was not a formal payment arrangement in place and that he would still have been expected to make the full CMP. Therefore, Aldermore upheld this part of the complaint due to the poor customer service received.

Overall, Aldermore offered Mr K and Ms D £350 for the poor service and the distress and inconvenience caused.

Our Investigator looked into Mr K and Ms D's case and upheld this in part. The Investigator found that, although the arrears from the payment holiday had been capitalised correctly, Aldermore had not clearly communicated how these amounts were added to the mortgage balance, nor when the interest was calculated and applied. In respect of the overpayments, the Investigator found that the way Aldermore had handled these contradicted the mortgage terms and conditions and the original offer. He found that this aspect was not communicated clearly by Aldermore as the terms and conditions suggested that any overpayment made would be directly applied to the balance.

In respect of the MC, the Investigator found that it was clear from Mr K's interactions with Aldermore that he believed that the interest-only concession was active. Whilst the Investigator understood that Aldermore was awaiting signed confirmation, it had ample opportunity to clarify or correct Mr K's understanding once the first reduced payment was received. Yet there was no evidence that Aldermore contacted Mr K to inform him that it hadn't received the signed paperwork and that his account was at risk of arrears if he continued to pay the reduced amount. This lack of engagement led to confusion, arrears and subsequent harm. The Investigator concluded that Aldermore should have applied the MC support from September to November 2024 and that it was not fair for the account to be treated as in arrears for that period. He had not seen enough evidence to conclude that the remaining entries were inaccurate.

The Investigator did not find that Aldermore had miscalculated the monthly instalments or that it was charging interest beyond what was in the agreement. However, he did believe that Aldermore could have done more to explain this to Mr K and Ms D and reassure him that the payment structure was correct.

Overall, the Investigator recommended that Aldermore:

- Applied the MC arrangement retrospectively from 24 September to 30 November 2024 and removed all arrears from that period.
- Submitted an emergency update to all relevant CRAs, ensuring no missed payments are recorded for those months.
- Provided Mr K with a full repayment breakdown of how his mortgage would have reduced over the remaining term, including interest and capital allocation.

- Paid £400 compensation for the distress, inconvenience and impact caused by the misapplication of the MC and related credit file harm (including the £350 if already paid).

Mr K and Ms D disagreed with the Investigator's view, so the case came to me to make a decision. Their main area of disagreement was in relation to the period for which the credit file should be amended and the amount of compensation.

I set out in my provisional decision dated 14 November 2025 (reproduced below) that I disagreed with the Investigator's view in some respects and with the redress he had proposed. I said that I was minded to uphold the complaint and require Aldermore to:

- Remove any adverse information from Mr K and Ms D's credit file about missed payments on the mortgage from September 2024 onwards, until the mortgage was redeemed.
- Pay Mr K and Ms D £500 in respect of the distress and inconvenience (including any sums which have already been paid).

I invited both parties to let me have further comments and evidence by 28 November 2025.

Aldermore confirmed that it accepted the provisional decision.

Mr K and Ms D responded saying that they required an emergency update of their credit files as a matter of urgency. They also said that they had raised two separate complaints with Aldermore and that it offered £350 in respect of one and £400 in respect of the other, giving a total of £750. They therefore questioned why the £500 compensation suggested in my provisional decision was less than this, particularly given the adverse financial impact on them caused by Aldermore. Mr K and Ms D also questioned whether any fees, charges and penalties were applied during the Mortgage Charter period.

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.

Having considered the responses to my provisional decision dated 14 November 2025, I remain of the view that this complaint should be upheld for the same reasons.

In my provisional decision, I set out the following, dealing with the issues raised by Mr K and Ms D in turn:

"First mortgage payment in May 2019"

Mr K and Ms D say that Aldermore has overcharged them an additional capital repayment of £819.03 for May 2019, which they say should have been categorised as interest only.

I have looked at the Mortgage Offer dated 29 April 2019. This sets out that the mortgage was a repayment mortgage (including capital and interest). I have also considered the Mortgage Conditions, which state in the 'Monthly payments' section at 12.4, "*Insofar as you have a repayment mortgage, each monthly payment will include both a part repayment of the capital part of the mortgage debt and a payment of interest on the mortgage debt for the relevant month*".

Therefore, I'm satisfied that both capital and interest would have been payable in each CMP, including for the first monthly payment.

The Offer states *“Your mortgage will start on the day funds are released and interest will be charged from that date. Depending on your completion date and first payment date, your first payment could be much larger than your regular monthly payment. Your first payment and subsequent monthly payments and dates of collection will be confirmed when your mortgage is completed”*. The Mortgage Conditions state at 12.7, *“After completion, we may require you to make an adjusted payment to reflect the period between completion and the end of the first month. This may be more or less than your usual monthly payment. We will write to you to let you know the exact amount involved after completion and recover it by Direct Debit”*.

The mortgage completed on 20 May 2019 and a mortgage completion statement was issued on that date. This set out that the amount of the first payment would be £4,470.39 collected on 15 June 2019 and subsequent monthly payments would be £3,222.84 from 15 July 2019. In a paragraph titled ‘Your first payment explained’, it states *“Your first payment covers the period from the date of completion, up to the end of the first month and your first regular monthly mortgage payment. This is followed by your regular monthly mortgage payments”*.

The payment made in June 2019 therefore covered the period from 20 May 2019 until 30 June 2019. I am satisfied that this is correct.

Capital and interest added following 2020 payment holiday

Mr K and Ms D contacted Aldermore in March 2020 in relation to applying for a payment holiday due to the pandemic. In total, they were granted a six-month payment holiday from April to September 2020 inclusive. At the end of the payment holiday, they elected to increase their future monthly payments in order to keep the original mortgage term the same.

Mr K and Ms D say that when they received their annual mortgage statement in January 2021, they noted that Aldermore had included capital and interest payments totalling £19,719.17 as a lump sum to the mortgage balance following the conclusion of the six-month payment holiday. They say that the statement also showed that the interest payments due during the payment holiday were also added separately to the mortgage balance. They say that the increased CMP has already compensated for the six-month payment holiday, which means that they have been charged three times for the payment holiday.

Mr K and Ms D say that the government guidelines at the time stated that mortgage customers could have a payment holiday and that only interest would be added to the outstanding balance and not capital. They say that Aldermore has added both capital and interest (totalling over £19,000) to the mortgage balance, which is against the government rules. Mr K and Ms D say that they did not receive the capital amount of between £13,000 and £14,000 that was applied to the mortgage balance, leading them to question how this could be incorporated into their mortgage as only interest should be applied.

I have seen a copy of the letter sent to Mr K and Ms D by Aldermore on 9 April 2020, which confirms the payment holiday for three months until 16 June 2020 and that this will not affect their credit file. The letter states:

- Arrears will accrue and will need to be repaid at a future date. We will discuss the options available to you near the end of the agreed period; when your payments start again you may see an increase in your monthly payment.
- The total amount of interest owed on the mortgage will increase, as the amount you owe the Bank increases.

- At the end of the deferred period we estimate that your arrears balance will be £9,668.52.

Mr K and Ms D opted to capitalise the arrears and increase their monthly payments over the remaining term rather than to extend the term and returned an acceptance form to this effect. Therefore, on 27 June 2020, Aldermore wrote to Mr K and Ms D confirming that the arrears of £9,668.52 had been capitalised and advising them of the new monthly payment in light of this.

On 6 July 2020, Mr K and Ms D contacted Aldermore to request a further payment holiday for July, August and September and this was agreed. On 8 July 2020, Aldermore sent Mr K and Ms D a letter confirming this in similar terms to the earlier letter, including that the deferred payments would need to be made up later in the mortgage term and that the estimated deferral amount would be £9,911.10.

Following the payment holiday, Mr K and Ms B again chose to capitalise the arrears and Aldermore wrote to them on 29 September 2020 to confirm that £9,911.10 had been capitalised and to confirm the new monthly payment.

When a payment holiday is granted, the borrowers don't have to make the monthly payments for an agreed period. Were the payments being made, each month a sum of interest would be added to the mortgage balance, and then the CMP would pay that off and some of the capital balance. Whilst a payment holiday is in place, the capital balance remains the same and the interest that accrues for that month is added to the amount owing.

At the end of a payment holiday, the amount owing is higher than it was at the beginning of the payment holiday, and higher than would have been expected at that point, because no capital reductions have been made. This means that if the borrower was to pay the same CMP they did before the payment holiday, the mortgage would not be paid off by the end of the term. In most cases, the borrower is simply required to pay more each month to clear the debt by the end of the term. However, Aldermore gave Mr K and Ms D the option of maintaining the previous CMP and extending the term. They chose the option of increasing their CMP so the mortgage would end when originally planned.

I have looked at Mr K and Ms D's annual statements for the period of the payment holiday and since. I can see that for the months of April to September 2020 inclusive the interest amount was debited for each month. The statements show that the monthly repayments for those months were not made, which was in accordance with the agreed payment holiday.

I am satisfied the outstanding balance did not increase at the end of the payment holidays when the missed payments were capitalised. Aldermore recalculated the CMP based on the higher balance to ensure the mortgage was repaid within the mortgage term. When the arrears were capitalised, there were around 11 years left on the mortgage and the CMP increased by around £170 which is broadly in line with what I would expect (based on the amount of the missed payments and the additional monthly interest on those missed payments).

Aldermore has accepted that the letters and annual statement it provided did not clearly explain the way interest would be applied to the account, how the arrears were being calculated and how the capitalisation would be completed. It accepted that this may have caused confusion and said that it would strive to provide more transparent explanations moving forward.

Whilst I am satisfied that the arrears have been capitalised correctly following the payment holiday, I agree that the way Aldermore explained this process to Mr K and Ms D could have caused confusion. The letters set out that the full amount of the

missed payments would be capitalised but the statement suggests that the interest has been charged again separately. I will therefore factor this into my award for distress and inconvenience.

Overpayments between 2021 and 2023 were not used to reduce the balance

Mr K and Ms D say that they made overpayments between February 2021 and May 2023. However, they say that these have been deposited into a secondary account by Aldermore and not applied to the remaining mortgage balance.

In its final response letter (FRL), Aldermore set out how overpayments were treated and said that in order for overpayments to be applied directly to the mortgage balance, it needed to be notified of the overpayment prior to it being made. It said that when the mortgage comes to term, the overpayment balance would be used to offset the remaining mortgage balance, reducing the amount payable and in turn reducing the overall term of the mortgage.

Since receiving the FRL, Mr K and Ms D have said that there is no mention that permission is required to make overpayments. They say that when they redeemed the mortgage in June 2025, the redemption statement did not include the overpayments which Aldermore said would be applied at the end of the mortgage. They therefore say that Aldermore must have kept the overpayments.

I have considered the Mortgage Offer, which states under the heading of 'Overpayments' that *"Overpayments of up to 10% of the balance outstanding can be made each year, starting from the date of original mortgage completion and using the balance outstanding at the latest mortgage anniversary date, without incurring an early repayment charge. If you do make an overpayment, then the amount you owe and the interest you are charged will reduce from the date the overpayment is credited to your account"*.

The Mortgage Conditions state in the 'Interest' section at 9.2, *"Interest will accrue daily at the interest rate on the mortgage debt and will be charged to the mortgage account. Payments of capital, including those included in your regular monthly payment, will reduce the amount on which we charge interest from the date payments are paid to the mortgage account"*.

So I am satisfied that any overpayments made by Mr K and Ms D should have been applied to the mortgage balance on the date they were received.

I have looked at the annual statements and these show that all of the overpayments were in fact applied to the balance at the time they were paid. For example, for the first of the overpayments I can see from the statements that the payment of £3,396.71 was due on 15 February 2021 but that a repayment of £3,400 was made in respect of this month on 3 February 2021. The entire £3,400 has been credited to the mortgage account and has reduced the balance by this amount, as opposed to the overpayment of £3.29 being held somewhere else. Likewise, the following month £3,500 has been paid instead of the £3,396.71 due and the entire amount (including the overpayment of £103.29) has been credited to the mortgage balance.

For the reasons above, I am satisfied that the overpayments were applied to the balance when they were received and that the mortgage operated as it was supposed to in this respect. It follows that I am satisfied that the overpayments have not been missed off of the redemption statement as they had been deducted from the balance at the time they were received.

However, I can understand why Mr K and Ms D are confused in light of Aldermore's suggestion in the FRL that it would need to be notified in advance for any

overpayment to be applied directly to the balance and that these would be applied at the end of the term. It seems to me that Aldermore must be referring to the fact that the account was not automatically adjusted upon receiving an overpayment (either by way of a reduced CMP or a reduction in term). This would mean that any overpayment would only be taken into account in this regard at the end of the term in respect of the reduced balance and remaining term.

Given the unnecessary confusion caused by Aldermore in respect of this element of the complaint, I will factor this into my award for distress and inconvenience.

Expiry of fixed rate moving to SVR in May 2024

Mr K and Ms D say that when their fixed rate expired in May 2024, they went onto Aldermore's SVR of 10.48%. They say that the outstanding balance was £246,078.76 at this point. They used online mortgage calculators, which indicated that the CMP should be roughly £4,000. However, they were paying £4,277.39, which the calculators indicated was an interest rate of 11.49%.

I can see that the Mortgage Offer dated 29 April 2019 sets out that the interest rate on the mortgage would be 3.43% for 60 months from the date of completion. Following this, the mortgage would be charged at the Aldermore Managed Rate plus 0.75% for the remaining term. This meant that as of June 2024, the interest was charged at a rate of 10.48%.

Online mortgage calculators can offer a useful guide as to the CMP payable when considering a certain balance, interest rate and term. However, these should only be used as a guide as they do not take into account the specifics of the mortgage account, for example the fact that interest would be calculated on a daily basis. I also note from Mr K and Ms D's annual statements that the mortgage balance as of 1 June 2024 was £252,448.19, which is over £6,000 higher than the figure they say they inputted into the online mortgage calculator.

Overall, I am satisfied that the CMP had been calculated correctly by Aldermore in line with the actual outstanding balance of the account at the relevant time.

Reporting of outstanding balance to CRAs

Mr K and Ms D say that the document issued by Aldermore when they utilised the Mortgage Charter (MC) reflected a balance greater than that which appeared on their credit reports. They say that when comparing their mortgage statements with their credit reports, Aldermore always shows a higher balance than that reported to the CRAs.

Aldermore reviewed both the mortgage account and what it had reported to CRAs and says that the outstanding amount had been correctly reported. It said that it reports to CRAs after the month when any payments are due. It set out that the outstanding mortgage balance at the end of October 2024 was £243,904.50, which was recorded as the outstanding balance on the credit record as of December 2024.

I can see that the letter dated 24 September 2024 from Aldermore to Mr K and Ms D regarding their application for the interest-only period under the MC showed the balance to be £246,078.76. This is in line with the annual mortgage statement, which shows the balance to be £246,078.69 on 1 September 2024. As the full CMP was not paid that month, the nominal additional balance on the letter of 24 September 2024 would likely be additional interest due. Likewise, a similar letter from Aldermore dated 18 October 2024 shows the mortgage balance to be £243,904.50. The mortgage statement shows the same balance following a payment made on 16 October 2024.

Whilst the credit file will show the balance reported by a lender, there will inevitably be a delay in reporting as this is not updated in real time. Therefore, the balance provided by the lender will be the most accurate figure. I am satisfied that the mortgage balances on the documents provided by Aldermore in respect of the MC were accurate.

Mortgage Charter and reporting of arrears on credit file

Mr K and Ms D say that they contacted Aldermore in September 2024 whilst they were in the process of selling their property to seek support and were given an illustration of what the interest-only payments would be under the MC. They say that they understood the MC was in place and therefore only made interest-only payments between September 2024 and February 2024 inclusive, with the normal payment resuming following this. Mr K discovered in December 2024 that his credit report was showing missed payments from the period he says should have been covered by the MC, and it continued to show these into 2025. He therefore says that Aldermore has inaccurately reported missed payments to CRAs when the MC was active.

Aldermore says that it provided an initial MC illustration on 24 September 2020 but it never received a signed acceptance, so no formal arrangement was put in place and Mr K and Ms D were still expected to make full monthly repayments. Aldermore later explained that the MC was not formally agreed until 21 December 2024 when it received the signed agreement from Mr K. The previous three months' payments were therefore treated as underpayments, which meant that the account was considered to be in arrears and reported to CRAs.

I have reviewed the documentation and listened to the calls made between Mr K and Ms D and Aldermore in relation to the MC.

Mr K called Aldermore on 18 September 2024 as he was selling the property and wanted to know if it was an option to pay just the interest during this period. The adviser explained that Mr K could apply for a six-month interest-only period under the MC and that this would not affect his credit file.

I can see that Mr K spoke to Aldermore twice on 24 September 2024 regarding his application for the MC. The adviser said they would send out the documentation and said that Mr K would need to make an interest-only payment by the end of the month. During these calls, Mr K queried the breakdown between the interest and the capital.

On 24 September 2024, Aldermore issued a MC illustration to Mr K and Ms D. The letter included a summary of what changing the mortgage from capital repayment to interest-only for six months would mean. The balance was shown as £246,078.76. In the section titled 'What do I need to do next?', it set out that if Mr K and Ms D wanted to continue with their application, they would need to complete, sign and return the enclosed declaration form. The letter set out that once this was done, Aldermore would do a full review of their request.

I have also seen an email from Aldermore to Mr K on 24 September 2024. This set out that Mr K needed to sign the declaration before the MC could be implemented. It also said that the interest-only payment required was required for September and that if this was not made within the month it would affect his credit file as it would be true arrears.

Mr K called Aldermore on 27 September 2024. He said that his printer had broken but that he was conscious that it was nearly the end of September so he wanted to make the payment. Whilst the adviser initially told Mr K the full CMP was due, when he said that it was interest-only the adviser then checked and told Mr K the amount

was £2,149. When Mr K said that he may be able to send the paperwork over the weekend, the adviser said *"we're all covered with the payment now for September anyway so that's the main thing"*. At no point did the adviser tell Mr K that if he didn't return the MC form by the end of September, the MC would not be implemented and his account would show as being in arrears.

Mr K contacted Aldermore again on 9 October 2024 to raise concerns about the remaining mortgage balance stated on the MC illustration, as this was higher than that reported on his credit file. The adviser produced a further illustration and said that the figures were accurate but said she would refer to issue to the relevant team to investigate what had been reported on the credit file. Whilst the adviser told Mr K at the outset of the call that she couldn't process the MC as the account was in arrears, she later said that she would put the matter on hold until they could get this sorted.

Mr K called Aldermore on 16 October 2024 to make the October payment. The adviser initially told Mr K the amount for the full CMP but Mr K told her that he had moved on to interest-only for six months. The adviser said that she could see the notes and checked with a colleague as she said that if he was on the MC it would be on the system. Mr K explained that he had queried the balance and was waiting for a new document to come through and the adviser took the payment and said she would speak to a colleague to update the account.

In my view, it was clear that Mr K thought that the MC was in place. Again, he was not expressly told that the MC was not in place and that if he only paid the interest then the account would go further into arrears and be reported to his credit file. He was given the impression that the account would be updated to reflect the MC.

On 18 November 2024, Mr K spoke with Aldermore again. He said that he kept getting calls about the arrears and was told that the account was in arrears by £8,000. Mr K queried how he could be in arrears as he had been given the option of paying interest-only for six months. The adviser asked Mr K if he was on the MC and he said yes. She asked Mr K when this went through and he said he believed that this was September. Mr K asked why he was being pestered if he was on the MC and the adviser responded *"yes, you are correct actually, I do apologise for this"*. She said that she would raise a complaint to get the matter investigated *"because you are on a Mortgage Charter like you said"*.

So, at this stage, it was clear that Mr K believed that he was on the MC and Aldermore had categorically told him that he *was* on the MC and raised a complaint because of this.

Mr K called to make the November payment on 25 November 2024. At this stage the adviser confirmed that Mr K's complaint was still being investigated. He took the interest-only payment and told Mr K that the MC had not been implemented yet as the complaints team were reviewing this. He said that he would ask a colleague in the MC department to look at the account.

I have seen an email from Mr K to Aldermore on 21 December 2024 attaching the completed declaration form and stating that their complaint is ongoing and requesting confirmation of that month's payment.

Mr K called to make the December payment on 23 December 2024. At this stage he noted that his credit file was showing missed payments. The adviser asked Mr K if he had returned the documentation and he said that he had recently returned these but had an ongoing complaint and that everyone he had spoken to had said he was on the MC. The adviser said that he would pass the matter over to the complaints team but that it did look like it should be fine.

Whilst I accept that Mr K did not return the completed paperwork, I think it was clear that he believed that the MC was in place and that he was waiting for his complaint to be resolved regarding the balance before signing the acceptance form. Despite not sending off the acceptance form, Mr K proceeded on the basis that he was on the MC, contacting Aldermore every month to make interest-only payments in accordance with the MC illustration.

Aldermore had numerous opportunities to correct Mr K's mistaken understanding once he had made the first reduced payment and to inform him that until he returned the form, he needed to make the full CMP or the account would go into arrears. Instead, it confirmed to him that he was correct about the MC being in place and subsequently reassured him that his complaint was still being investigated and that the issue with his credit file should be fine.

I am satisfied that – had Mr K been made aware of the actual position as he should have been – he would either have returned the form (upon reassurance that if his complaint about the balance was later upheld this could be amended retrospectively) or made the full CMP to avoid going into arrears. I say this as Mr K had been proactive about seeking support in respect of the reduced payments. He had also made it clear during the call on 24 September 2024 that the reason for requesting the MC was not because he couldn't afford the full CMP but because he was in the process of selling the property. I also note that, following the six-month interest-only period, Mr K and Ms D reverted to making the full CMP.

I understand from Aldermore that they cannot retrospectively apply the MC and, in any event, the mortgage has now been redeemed. However, in light of the above, I am minded to ask Aldermore to treat the account as if the MC was in place for the six months from September 2024 to February 2024 inclusive.

I have reviewed what Aldermore reported to CRAs. As Mr K and Ms D's payments in September, October and November 2024 only covered the interest due, the outstanding amounts for each month were recorded as arrears. This meant that, as only around half of the CMP was being made, the account was reported as being one month in arrears from November 2024, 2 months in arrears from December 2024 and three months in arrears from February 2025. Although Mr K and Ms D were making the full CMP from March 2025 until the mortgage was redeemed, the credit file continued to show arrears due to the fact that the earlier payments had not been made in full.

Had the MC been in place, I am satisfied that no arrears would have been reported to the CRAs. This is because Mr K and Ms D would have done exactly the same as they in fact did when they were under the impression that it was in place, by paying the interest-only amount for the six months and then reverting to the full CMP in March 2025. I am therefore minded to ask Aldermore to amend Mr K and Ms D's credit file to remove any adverse reports relating to the missed payments from September 2024 onwards, until the mortgage was redeemed.

Given the poor communication by Aldermore in respect of this element of the complaint, I will factor this into my award for distress and inconvenience. I also note that Mr K and Ms D had to contact Aldermore repeatedly in relation to the issues raised, that they were given conflicting information and chased for arrears over this period, and that their credit files have been impacted for a significant period of time, albeit that these will be amended.

Breakdown of CMP and request for a calculation

Mr K and Ms D disagree with Aldermore's breakdown of the CMP between capital and interest and say that it would have been impossible to clear the mortgage balance over the agreed term based on the information provided. They note that, as the term reduces, more of the CMP becomes capital, but say that this also results in a reducing CMP as less interest is applicable every month. They say that on this basis it would have been impossible to clear the balance in the remaining term.

Mr K and Ms D have requested calculations of the breakdown of the split between interest and capital over the 12-year term and confirmation that the balance would have been cleared.

Aldermore has now provided a breakdown of the interest and capital payments for the duration of the loan, which demonstrates how the loan would have been paid off within the term had it not been redeemed. I will ask the Investigator to provide Mr K and Ms D with a copy of the breakdown and accompanying notes.

Whilst it is not the role of this Service to audit the mortgage, I have reviewed the breakdown and am satisfied that the past transactions shown on the calculations accord with the information provided in the annual mortgage statements. Further, I am satisfied that this provides an accurate reflection of the account and how the mortgage would have been repaid over the term.

In response to Mr K and Ms D's suggestion that the CMP should reduce when less interest is charged, this is not correct. The CMP is calculated to pay off the mortgage within the agreed term and this was recalculated following the payment holiday, meaning that the CMP needed to increase in order to repay the mortgage by the end of the term. Whilst less interest is payable as the capital reduces, this doesn't result in a reduction of the CMP. Rather the ratio of capital to interest within the CMP becomes higher as the term goes on. As the end of the term gets closer, the CMP will remain the same but the majority will be paying off the capital.

I will not be asking Aldermore to do anything further in respect of this aspect of Mr K and Ms D's complaint.

Distress and Inconvenience

For the reasons given above, I think that many aspects of the service provided to Mr K and Ms D were poor. The communications in respect of the capitalisation following the payment holiday in 2020 and the overpayments were applied to the account were unclear and caused unnecessary confusion. In respect of the MC, Mr K and Ms D had to contact Aldermore repeatedly in relation to the issues raised and were given conflicting information. They were also chased for arrears over this period and their credit files have been impacted for a significant period of time. I also note that Mr K has some health issues which meant that these issues were particularly stressful for him.

In light of my findings, I am minded to increase the amount of compensation to £500 to reflect the distress and inconvenience caused by Aldermore."

As set out above, Aldermore has confirmed that it accepts the provisional decision.

Mr K and Ms D responded saying that they required an emergency update of their credit files as a matter of urgency. As set out in my provisional decision, I am directing Aldermore to remove any adverse entries from Mr K and Ms D's credit files in respect of the MC period. Whilst it is Aldermore which requests this, it will be for the credit reference agencies themselves to amend the credit file and Aldermore has no control over this. Notwithstanding this, I would request that Aldermore provides the updated information promptly.

Mr K and Ms D have also said that they raised two separate complaints with Aldermore and that it offered £350 in respect of one and £400 in respect of the other, giving a total of £750. They therefore questioned why the £500 compensation suggested in my provisional decision was less than this, particularly given the adverse financial impact on them caused by Aldermore.

I can see that in Aldermore's final response letter of 19 December 2024, it offered Mr K and Ms D £350 in respect of the distress and inconvenience caused in respect of the issues raised in this complaint. Following this, Mr K complained again that he was waiting for a response about the MC and that the interest for January 2024 was too high.

Aldermore sent Mr K a further final response dated 10 March 2025. This set out that it was not upholding the complaint about the January interest. It also stated that the complaint about the MC had already been dealt with in the response of 19 December 2024 so this would not be revisited. However, Aldermore did note that an agent had informed Mr K on 23 December 2024 that his concerns would be added to his complaint, despite the fact the complaint had already been closed. It accepted that this was unclear and offered Mr K £100 in respect of the distress and inconvenience caused.

Aldermore has confirmed that there are no further final response letters and Mr K and Ms D have not provided anything further. The further £100 offered in March 2025 was solely in respect of the fact that Aldermore's agent had incorrectly informed Mr K that his concerns would be added to his complaint, when the complaint had already been closed. Therefore, Mr K was expecting a further response which was not provided. This issue has not formed part of Mr K and Ms D's complaint to this Service.

In any event, for the reasons set out in my provisional decision, I am satisfied that the £500 is appropriate to compensate Mr K and Ms D for the distress and inconvenience caused and this takes into account the impact on their credit files for a prolonged period of time.

Mr K and Ms D have also questioned whether any fees, charges and penalties were applied during the Mortgage Charter period. I am satisfied from reviewing the annual statements and calculations that no fees were charged in respect of this.

Having considered the further representations made, I maintain the view set out in my provisional decision.

Putting things right

For the reasons set out above, I uphold this complaint and require Aldermore to:

- Remove any adverse information from Mr K and Ms D's credit file about missed payments on the mortgage from September 2024 onwards, until the mortgage was redeemed.
- Pay Mr K and Ms D £500 in respect of the distress and inconvenience (including any sums which have already been paid).

My final decision

For the reasons I've explained in my provisional decision and above, my decision is that I uphold this complaint against Aldermore Bank Plc and require it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D and Mr K to accept or reject my decision before 6 February 2026.

Rachel Ellis
Ombudsman