complaint

Miss R complains about the way Bank of Scotland plc, trading as Halifax, handled her mortgage account when the Department for Work and Pensions ("DWP") temporarily stopped its contributions.

background

In 2015 Miss R's DWP contributions towards her mortgage repayments stopped. Halifax sent the necessary form to the DWP asking for the contributions to be reinstated. But that wasn't received and so it sent a second form. There was some confusion about whether Halifax sent the first form. It paid £80 into Miss R's bank account as compensation.

The DWP's contributions were eventually reinstated. But by that time three repayments had been missed and the account was in arrears ("the three month period"). Halifax reported this to credit referencing agencies.

Miss R complained that Halifax had told her the £80 compensation would be credited to her loan. This would have covered her share of the repayments during the three month period. And so it wasn't fair that Halifax had reported the arrears.

Halifax rejected the complaint on the basis that it had made it clear to Miss R that the £80 was going to be paid into her bank account. And it had a duty to report all activity on the account.

The adjudicator didn't think Halifax had done anything wrong. And so Miss R asked for an ombudsman to make a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The account notes made at the time that the £80 was initially offered show that Miss R was told the money would be paid to her directly. But when she later complained the notes seem to acknowledge that the money should have been credited to her loan. And an £80 adjustment was made to the arrears.

Halifax says it's unsure why that adjustment was made. Given the conflicting account notes I'm willing to give Miss R the benefit of the doubt. Namely, she genuinely believed that the money was credited to her loan. And so I don't think she intentionally missed her share of the repayments during the three month period.

In relation to the DWP's contributions, once those were reinstated a lump sum payment was made to cover the three month period. As well as the £80 adjustment Halifax also removed collection charges from the loan. The end result was that Miss R's account was no longer in arrears.

Given that Miss R's account was eventually in credit it seems clear to me that if the DWP's contributions hadn't stopped Miss R wouldn't have gone into arrears. And so the missed payments were due to circumstances out of her control.

I contacted Halifax and told them that under the circumstances my provisional view was that it should amend Miss R's credit file. It refused to do that on the basis that Miss R had an obligation to pay her contractual repayments. She'd been aware of the issue with the DWP's contributions and so she could have made the repayments until this was resolved. Plus Halifax has a responsibility to report missed payments.

I have considered Halifax's comments. I accept that Miss R knew the DWP wasn't contributing. But I don't think Halifax's point about her being able to pay until the issue was sorted out is a fair one. There's no evidence that she had the financial capacity to pay the amount that the DWP had been contributing. As for her own share of the repayments, I've already said I don't think she intentionally missed those.

And so although I don't think that Halifax was wrong to initially report the missed payments, it should have then amended Miss R's credit file. After all, her file needs to reflect her creditworthiness – namely that the missed payments during the three month period weren't her fault.

As an aside, although Halifax is unsure why the additional £80 adjustment was made to the loan, I don't think it'd be fair for that to now be reversed.

my final decision

For the reasons given, my final decision is that I uphold this complaint. I direct Bank of Scotland plc, trading as Halifax, to:

- Amend Miss R's credit file by removing the entries relating to the three missed payments between March-May 2015;
- Preserve the £80 adjustment made to Miss R's loan account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 15 February 2016.

Sim Ozen
ombudsman