

## **The complaint**

Mr and Mrs C complain that negative marks wrongly placed on their credit files by Aldermore Bank Plc affected their application to remortgage. They say these marks meant they were offered a much higher interest rate than they were expecting.

## **What happened**

In late 2021, Mr and Mrs C received a mortgage offer from Aldermore. They bought their new home, and they drew down the mortgage advance on 21 January 2022. Unfortunately, completion on their property had been delayed, and they needed to pay an additional month's rent for their existing property before they could move. That meant that they would struggle to also pay all of their first mortgage payment, which was a larger payment than normal, in the same month.

Mr and Mrs C discussed this with Aldermore, and it came to an arrangement with them where they made a part payment for the first month, and then paid off the very small amount of arrears this generated over the next few months.

These arrears were less than one full month's payment, so they should not have been recorded on Mr and Mrs C's credit file. Unfortunately, although Mr and Mrs C didn't realise it at the time, Aldermore recorded an arrangement to pay on their credit files.

Mr and Mrs C told us that, a few months after this, they wanted to remortgage, just to add some extra lending. They contacted a broker to help them with their application. Mr and Mrs C's complaint to us was that they'd been quoted a higher rate of lending, because they had marks on their credit file.

Aldermore said it spoke to Mr C on 19 August 2022. He said Aldermore had wrongly marked his credit file with an arrangement to pay, after it told him the agreement he'd reached with it, to cover his first monthly mortgage payment, wouldn't affect his credit file. He also said he'd recently received an offer from Aldermore to extend his borrowing, but the interest rate quoted was much higher, because of this adverse credit file mark.

When this complaint came to our service, Aldermore said it accepted it wasn't necessary to set a payment arrangement for Mr and Mrs C and report this to credit reference agencies ("CRAs"). Their account was always less than one month in arrears. Aldermore apologised for this, and on 31 August, it said it would get this amended. It expected this amendment to take effect at the CRAs in about a week. Aldermore offered Mr and Mrs C £200 to apologise.

But Aldermore said Mr and Mrs A's original complaint hadn't included the point they were making now, that this credit file mistake had affected their ability to remortgage with it. When our service asked Aldermore for some additional information on this, it said the interest rate on the decision in principle that it gave Mr and Mrs C in August 2022 wasn't affected by the negative markers on Mr and Mrs C's credit files. The rate they were offered was the rate Aldermore had available for all its customers at this time.

Our investigator didn't think this complaint should be upheld. I won't set out her reasoning

here, as I haven't adopted it.

Mr and Mrs C replied, to say they thought their complaint had been misunderstood. They said this had definitely affected their credit files, and they said they could show us failed loan applications to prove this. They wanted their complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did not propose to ask Aldermore to do more than it had previously offered. This is what I said then:

I think there has been some confusion in this case. I'd like to start by considering what Mr and Mrs C's broker told us, which is a little different to the complaint Mr and Mrs C made.

#### *Information from Mr and Mrs C's broker*

Our service has spoken to Mr and Mrs C's broker about this complaint, and what he said was a little different from what Mr and Mrs C had previously told us.

Mr and Mrs C's broker told us Aldermore would allow Mr and Mrs C to apply to extend their existing lending, although the mortgage they had carried an early repayment charge ("ERC") during the fixed interest rate period. The broker said Aldermore had told him that Mr and Mrs C would have to apply for a new mortgage, but their existing ERC would be waived, if Mr and Mrs C were just extending their borrowing with it.

Their broker told us Mr and Mrs C's first application to Aldermore was refused, apparently because they'd applied within six months of their original lending starting. Aldermore said they had to wait until the first six months was up. So the broker said he applied again to Aldermore once this time was up, but the decision in principle was to refuse any lending.

The broker said something must have gone wrong, because Mr and Mrs C had been granted a mortgage by Aldermore in late 2021, and in mid-2022 they were being refused at the very first stage. So he asked Mr and Mrs C to provide their credit files, and then realised that they had an arrangement to pay marked on these files.

The broker told us Mr and Mrs C then got the arrangement to pay removed from their credit files, but by the time this was removed, interest rates had risen, and Mr and Mrs C could no longer afford to remortgage.

I've asked Mr and Mrs C's broker, and Mr and Mrs C themselves, for details of these earlier decisions in principle which were declined. That information hasn't been supplied. I note that what Mr and Mrs C's broker has told our service doesn't appear to be consistent with what Mr and Mrs C told us about their complaint, or the complaint Aldermore recorded. And, importantly, the first decision in principle which Mr and Mrs C sent to our service, was dated 16 August 2022, and was approved. Mr and Mrs C didn't complain to Aldermore about adverse markers on their credit files until 19 August, and Aldermore took action to remove the markers in late August.

So what Mr and Mrs C's broker has told us also doesn't seem to me to be consistent with the other evidence in this case. I don't think it's likely that Mr and Mrs C's remortgage applications initially failed because of adverse markers on their credit file,

and the higher interest rate they were then quoted was a result of the time taken to have these markers removed.

I'll now turn to the complaint Mr and Mrs C originally made, which is in two parts. The first is that Aldermore wrongly marked their credit files with an arrangement to pay. And the second is that the lending decision in principle they got in August 2022 was affected by the markers on their credit file.

*Payment arrangement wrongly recorded on Mr and Mrs C's credit files*

Aldermore accepts that it told Mr and Mrs C their credit files wouldn't be affected by the agreement they'd reached with it, to manage the problems caused by an overlap of their last rent payment and their first monthly mortgage payment. But it then wrongly recorded an arrangement to pay on their credit files.

Aldermore has apologised for this, and offered a payment of £200, which Mr and Mrs C refused. They think that doesn't make up for the impact this had on their remortgage quotation. I'll look at the question of whether their remortgage quotation was affected separately, below.

Mr and Mrs C also told us they were turned down for some other lending in September 2022, which they thought was because of the markers on their credit files. But I can see that at the end of August, Aldermore said it expected these markers to be removed within about a week. I would not have expected Mr and Mrs C to apply for further lending until the markers had been removed, later in September. And if they were turned down for lending after this, I don't think this would be likely to be as a result of the negative markers Aldermore had put in place, because I would have expected these to be removed by this time.

So, setting aside the issue of whether Mr and Mrs C's remortgage was affected by the negative markers on their credit file, which I'll consider below, I think that Aldermore's offer of £200 in compensation does provide a fair and reasonable outcome to this part of their complaint.

I don't think Aldermore has paid this to Mr and Mrs C, so I'll award this to them now. But I'll also allow Aldermore to take into account any payment it's already made to Mr and Mrs C for this complaint, in case they changed their minds about accepting this offer more recently.

*Remortgage offer at a higher interest rate, because of the negative markers*

Mr and Mrs C have sent us a mortgage illustration, dated 16 August 2022, which is at a fixed rate of 5.08% for five years. They are apparently concerned that this rate is considerably higher than their original mortgage offer, at 3.38%. They are firmly of the view that this difference is because of the negative markers which were on their credit file at the time.

Aldermore says that Mr and Mrs C weren't offered a higher rate in August 2022 because of anything on their credit file. Aldermore says the rates offered were the only rates available to its customers at the time they applied.

I think it's worth comparing the two rates, and the underlying applications, to see if what Aldermore says is supported by what I can see in the documentation.

I have seen Mr and Mrs C's mortgage offer, dated 3 December 2021. Aldermore has shown us that this is the same rate as that set out on an illustration they received on 11 November 2021. That carries a rate of 3.38% for two years. The offer was based on lending of £280,029 on a property valued at £360,000, giving a Loan to Value ("LTV") of 78%. The Aldermore managed rate, which is the variable rate charged after the fixed rate period ends, in November 2021 (and then quoted on their December mortgage offer) was 4.58%.

Mr and Mrs C have sent us the mortgage illustration they received along with the August decision in principle. This was dated 16 August 2022, and at a fixed rate of 5.08% for five years. This was based on lending of £310,000 on a property valued at £420,000. I think it's worth noting that the Aldermore managed rate had risen substantially by this time. In August 2022 it was 6.23%.

I think a number of things had changed, between Mr and Mrs C's November 2021 mortgage illustration, which led to the December 2021 offer, and the illustration they received for additional lending in August 2022. And I think these changes explain the difference between the rate Mr and Mrs C secured in December 2021 and the rate they were offered in August 2022.

Most importantly, interest rates had clearly changed in the period between these two quotes. This is visible in the external, Bank of England lending rates, which started to increase just after Mr and Mrs C received their offer in December 2021, and had risen substantially by the time Mr and Mrs C received the August illustration. That change is reflected in the managed rate that Aldermore charges once a fixed rate deal ends, which is recorded on the December 2021 offer and on the August 2022 illustration. That had increased by 1.65%.

I think that change in underlying interest rates explains most of the difference in rates between Mr and Mrs C's December offer and the August illustration. But there is one other factor at work too. Mr and Mrs C's August mortgage illustration is for a longer period. I would expect a mortgage interest rate fixed for five years to be slightly higher than one fixed for only two years.

For these reasons, I don't think it's likely that the mortgage illustration Mr and Mrs C received in August 2022 was at a higher rate because of negative marks on their credit files at the time. And, given the underlying change in Bank of England rates between these dates, I don't think Mr and Mrs C could reasonably have expected that the same rate they secured in December 2021 would then be offered again for further borrowing in August 2022.

I think it's likely that this difference is explained mainly by changes in the underlying interest rates between these times, which would have affected any customer remortgaging at the same time. And also partly by the fact that Mr and Mrs C were making a different application in August 2022, to the one they made the previous December.

So I don't think Aldermore has made a mistake here. I know that Mr and Mrs C will be disappointed, but I don't think Aldermore has to do more than make the payment of £200 which it previously offered.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

### **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 C replied to say that he and Mrs C wished to accept. And Aldermore said it had nothing further to add. So, neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that Aldermore Bank Plc must pay Mr and Mrs C £200 in compensation which it previously offered for this complaint, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 11 October 2023.

Esther Absalom-Gough  
**Ombudsman**