

The complaint

Miss S complains that, although her previous joint mortgage with Nationwide was redeemed some time ago, Nationwide had marked her credit file with missed payments for the mortgage, long after it should have been closed down.

What happened

Miss S told us that she was previously party to a joint Nationwide mortgage, held with her ex-husband. She then divorced, her ex-husband kept the house as part of the divorce settlement, and her name was taken off the deeds. Importantly, Miss S told us that her ex-husband had remortgaged with a different lender, so as part of this process, the Nationwide mortgage was paid back.

Miss S said she then applied for a new mortgage with her new partner. They were trying to secure a mortgage before interest rates increased even further. But she said their mortgage broker told them he was repeatedly being refused, and they should check their credit files.

Miss S did so, and was distressed to find that her credit file showed arrears on a Nationwide mortgage for around 15 months, at a time when the mortgage should have been closed.

Miss S said she contacted Nationwide, and it told her the account had been closed in January 2022 but then in April it was open again with arrears of £30.30 which Nationwide couldn't initially explain. Miss S said her ex-husband told her Nationwide had confirmed to him the mortgage was closed. Nationwide then said these arrears were a mistake, and needed to be removed, but it might take about a fortnight to do this.

Miss S said her mortgage broker told her it would be likely to take longer than this for any amendments to take effect on Miss S's credit report. As mortgage interest rates were rising rapidly at the time, he advised Miss S and her partner to apply in her partner's sole name for mortgage lending.

Miss S said Nationwide had paid £150 for its mistake, but she didn't think that came close to compensating for what had happened. She said she would need legal advice before her partner took a mortgage in his sole name, because she wanted to secure her own position, and she said there would be further costs in future in adding her on to the deeds when they remortgaged. She was very unhappy about the position this left her in, and said that Nationwide's payment wouldn't even cover the costs of the initial legal advice she needed, even without considering the stress this had caused her.

Nationwide accepted it had made a mistake in recording adverse information on Miss S's credit file. As well as offering £150 in compensation, it said it would amend her credit file. But it could take six to eight weeks for credit reference agencies to complete this work.

Nationwide said that in the meantime, it would ask her to present its letter to any potential lender, to confirm that the adverse information was due to an error by Nationwide and not in any way Miss S's fault.

Our investigator didn't think this complaint should be upheld. She understood Nationwide's error put Miss S in a difficult position. But this had since been corrected, so our investigator needed to think about whether the compensation Nationwide had offered was enough. She said we couldn't know what the future costs might be, and the advice to proceed with a mortgage in Miss S's partner's name alone was given by a third party, Nationwide wasn't responsible for that. Miss S wasn't obliged to go ahead with the purchase or to contribute to it. Our investigator also said that there was no evidence that Nationwide's letter was shared with any potential lenders for consideration.

Our investigator said Nationwide was notified of its mistake on 11 July 2023, and promptly offered reassurances and put actions in by 14 July 2023 to rectify it. So our investigator said she wouldn't ask Nationwide to pay any more.

Miss S didn't agree. She said she never got a letter from Nationwide that she could show to potential lenders. And she said that in the few days it took her to find out why she was being refused mortgages, rates had already risen significantly. So she couldn't wait weeks for her credit file to be cleared. Miss S stressed the difficulties this had caused her, made worse by her personal situation at the time. And she said none of this would have happened if Nationwide had closed her previous mortgage account properly.

Miss S then wrote again, to say that it would cost £150 to get a declaration of trust drawn up to give her any rights to the house, and she also needed to speak to a solicitor before she could sign the deed of consent that her partner's mortgage lender was insisting on.

Miss S said she didn't see what else she could have done, and she thought the situation was terribly unfair. Miss S wanted her complaint to be considered by an ombudsman, so the case 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 propose to uphold it. This is what I said then:

Miss S has previously indicated that she wanted to submit additional information in this case for my consideration, and I also asked some additional questions to update our service on the current position of any house purchase. However, no further evidence, or indeed reply to our service's enquiries, has been received, and the deadline for this has now passed. In line with the correspondence to Miss S, I do now think it's appropriate to reach a decision in this case.

It does seem here as if the initial facts aren't in dispute. Miss S only found out during the course of her applications for a joint mortgage, that she had a series of marks on her credit file, which would lead any potential lender to think she'd had very serious difficulties paying a previous mortgage. Miss S says she was repeatedly refused mortgage lending, and having seen her credit file, I think it's very unlikely indeed that she would have been able to secure any mortgage lending while those marks were on her credit file.

Those marks were a mistake, and Nationwide has accepted this.

There are a number of issues, however, which we cannot currently be clear on. I don't know whether Miss S's property purchase went ahead, or not. Miss S can tell us more about this, if she wishes, in response to my provisional decision, and I will of course consider any further evidence or argument submitted.

However, at the moment, I'm not able to judge the impact of this issue on her, past the point where she realised that she could not secure a mortgage right away, and may have to proceed with a house purchase in her partner's sole name, at least initially, although I understand she was helping to fund this. So I will confine this provisional decision to that impact, because we simply do not know what happened after this, or why.

I do think the discovery of these marks on her credit file would have come as a considerable shock to Miss S. I also think it left her in a very undesirable position. Although I understand Nationwide responded quickly when the mistake was uncovered, the correction it requested would take some time to be actioned by the credit reference agencies. And I think the advice Miss S received, that it may take some six to eight weeks before these missed payments no longer showed up when prospective lenders viewed her credit file, was likely to be right.

With that in mind, I don't think that Nationwide's payment of £150 does provide a fair and reasonable outcome to this complaint. I currently think that Nationwide should pay Miss S a total of £300 in compensation. Nationwide can count towards that amount, any money it has already paid to Miss S for this complaint.

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.

Nationwide said it had received my provisional decision, and had nothing to add.

Miss S also replied, and started by apologising for not having responded to our earlier requests for information. Miss S told us she had been dealing with some difficult personal circumstances recently. I won't set these down here, but I've been very sorry to hear that, and I hope that things are getting easier for Miss S now.

Miss S said she had tried to get quotes for the legal work she would need, if the mortgage for this property was just in her partner's name, but she said things just got too much, and she didn't think our service would be able to help. She said she then also had to deal with delays in the sale of her partner's property.

Fortunately, Miss S said these unexpected delays with the linked sale, had worked out well. The delay meant that the negative marks had been removed from her credit file, and she had managed to get a new mortgage offer in joint names. And mortgage rates had dipped again, so the new offer wasn't too expensive for them, as she'd initially feared. Miss S said that in the end, this setback meant that they were able to fix the problem, and buy their new home in joint names.

I'm very glad to hear that Miss S's property purchase was able to go ahead, and that she was able to get a joint mortgage after all.

I should say, for the avoidance of doubt, that this doesn't affect my decision on the appropriate outcome for this complaint. My provisional decision set out that I was taking into account circumstances up until Miss S realised she might have to proceed with a house purchase in her partner's sole name, and the provisional decision was confined to the impact

that unexpected and very distressing news had on Miss S. So, although I'm glad that things were then resolved for Miss S, I do still think that the payment I suggested in my provisional decision, of £300 in compensation, is required to provide a fair and reasonable outcome to this complaint.

So for those reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Nationwide Building Society must pay Miss S a total of £300 in compensation. Nationwide Building Society can count towards that amount, any money it has already paid to Miss S for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 5 June 2024.

Esther Absalom-Gough
Ombudsman