

The complaint

Mr J complains that National Westminster Bank Plc recorded incorrect information on his credit file. He said adverse data should have dropped off in 2015, and because it didn't do so until 2017, he couldn't get a mortgage in 2021. He told us about the losses this caused.

What happened

Mr J told us that in 2021 he was offered the chance to buy the home he'd been renting for some time. He spoke to a mortgage broker at the time, and he said the broker was initially confident Mr J could get a mortgage. But he said then he and the broker found out that Mr J had adverse data on his credit file. Mr J said the broker told him this would prevent him getting borrowing from a high street lender, and other lenders were just uneconomical.

Mr J hasn't suggested any mortgage application was actually made at this time. And he said he and his broker both assumed the credit file markers were correct at the time, so they didn't ask NatWest to remove them. Instead, he said the broker advised him to wait until 2023, when this adverse data would no longer be visible on his file. But Mr J said he wasn't able to wait. Although he'd been given first refusal on the purchase of his home, his landlord wanted to sell it very quickly, and would sell it to someone else if he wasn't able to buy. Fortunately, Mr J had considerable savings, which he used to purchase the property.

Mr J says, if he'd been able to get a mortgage, he could have used his savings to make an investment, of a type he'd made before. Mr J told us about the excellent returns he'd expect from this sort of investment, and said he wanted NatWest either to give him a mortgage now, at the rate he could have obtained in 2021 (if it weren't for the marks on his credit file then) or to compensate him for these losses. But he said NatWest wouldn't do either.

NatWest said that Mr J first complained about this in June 2022. It has sent a number of complaint response letters in this case.

NatWest's first letter was dated 6 July 2022. NatWest said then that it accepted Mr J's adverse credit file entry should only have been recorded on his credit file up to 1 July 2015. So NatWest said it would amend Mr J's credit file, and pay £100 in compensation.

NatWest's letter of 24 August 2022 said it wouldn't consider paying the amount Mr J wanted, which was in excess of £80,000. It said when it had tried to amend Mr J's credit file in 2022, it saw the marks Mr J referred to were no longer visible on his credit file. So NatWest said it didn't have any evidence that this mark was actually still on Mr J's credit file in 2021. It said if Mr J could show that this mark was showing, incorrectly, on his credit file in 2021, and that's why his mortgage application was declined, then it would reconsider.

NatWest's letter of 5 September 2022 said it wouldn't reconsider without evidence the adverse mark was incorrectly showing on Mr J's credit file in 2021. Mr J hadn't sent that.

NatWest's letter of 24 October 2022 said it still wouldn't pay what Mr J wanted. There was no guarantee any mortgage application would have been accepted, and notes from Mr J's broker suggested his application wasn't economical. But NatWest accepted it had made a

mistake and it paid a further £400.

NatWest's letter of 23 November 2022 said it wouldn't consider the costs Mr J requested, and it wouldn't offer him now the mortgage that he said he could have obtained in 2021. NatWest said Mr J could have waited to take out a mortgage until the data was removed from his credit file, but instead he'd chosen to use savings.

When this case came to us, NatWest maintained this position.

Our investigator didn't uphold this complaint. She said there was no guarantee any mortgage application by Mr J would have been accepted, and his broker had advised him to wait.

Mr J didn't agree. He said his broker could confirm that he would have been able to secure a mortgage at a competitively low rate of around 2% with a high street lender if not for NatWest's mistake. And if he'd waited for the error to be removed, which he said can take up to four months, then he would have missed the opportunity to purchase the property, as the seller wanted a quick sale. So his choice was either to take out a mortgage at a much higher rate with a sub-prime lender, or to buy using his savings.

Our investigator didn't change her mind. She said she'd considered the broker's view that Mr J was prevented from getting a decision in principle by the adverse credit information. But there was still no guarantee he would otherwise have obtained a mortgage. And she said that a reference by the broker in his notes to "*rates and set up costs not economic*" did not sit well with the broker's subsequent stance. She repeated that Mr J didn't follow his broker's advice to wait until the marks were removed.

Mr J wanted his complaint to be considered by an ombudsman, so this case came to me. 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 uphold it. This is what I said then:

I should start by saying that, before I could have upheld this complaint, I would have needed to see a considerable amount of further evidence from Mr J, including that his credit file was otherwise clean in 2021 when he wanted to make a mortgage application, that he had a regular and reliable source of income then to support lending at that time, and full details of the investments he has made, as well as details of the further investment he said he would have made, had the funds been available. I would also have had to bear in mind that direct questions about someone's credit history are sometimes asked as part of a mortgage application, and that could still have prevented Mr J from getting a mortgage.

I've not asked Mr J for any further information, because I think there's another reason why this application would not have been successful. I'll explain why I think that.

Mr J says marks on his credit file shouldn't have been recorded, as late as 2017. NatWest accepts this, and says the marks should have ended on 1 July 2015. I agree with that.

Marks on a credit file are usually visible for six years after the date they refer to. So, without any mistakes by NatWest, adverse marks would have been visible on Mr Js' credit file until at least July 2021 (perhaps a little longer, as it's not unusual for credit reference agencies to operate a few weeks in arrears).

Mr J told us he was offered the chance to buy his flat in April 2021. By 5 May 2021, Mr J's broker had held a meeting with him, to tell him there was no prospect of him obtaining a mortgage from a high street lender with these marks on his credit file, and that non-standard lenders would simply charge too much. But what Mr J and NatWest have said in this case, makes me think that the marks on Mr J's credit file should have been there, at this time. They should have dropped off his file later in 2021, some months after this discussion.

Mr J could, if he'd known NatWest had made a mistake, have asked NatWest in 2021 to amend the end date of these marks, so they would no longer be visible after July 2021. But Mr J also told us his landlord wanted a very quick sale. He couldn't wait at all, or he'd lose this purchase. That makes me think Mr J was always likely to have needed to take concrete steps towards completing his purchase well before July 2021. I don't think he could have waited until a time when these marks ought no longer to have been visible on his credit file, to begin arranging the financing for this purchase.

For that reason, although NatWest did make a mistake here, I don't think that's the reason Mr J couldn't get a mortgage at the start of May 2021. So I don't think NatWest has to pay more than it has already done, to provide a fair and reasonable outcome.

I know Mr J will be disappointed, but I don't think this complaint should be upheld.

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.

NatWest accepted my provisional decision. But Mr J didn't. He replied, with further evidence, and said he wanted to make some new points.

Mr J said my decision now rested on the fact that this adverse credit mark from NatWest would still have been on his credit file in July 2021 even if NatWest hadn't made the mistake it has apologised for. But Mr J said he'd checked with several sources, and they'd all confirmed that the adverse mark should have come off his file in July 2020, six years after the date he was made bankrupt.

Mr J listed the authorities which he said confirmed this. He said his bankruptcy order was made on 1st July 2014, so he thought this negative mark should have been removed on or around the 1 July 2020.

Mr J sent us evidence showing his income at the time, and details of his credit file. He said the only adverse mark on his credit file at the time was the NatWest error. And Mr J said his broker had already provided his professional opinion that, without this negative mark on his credit file, Mr J would have secured a mortgage in 2021. Mr J said the problem was that neither of them had realised at the time that this mark was actually an error by NatWest.

Mr J said he now thought he had clouded the issues here by mentioning that he could have invested elsewhere, the funds he'd had to use to buy his house. He said he now just wanted to be put in the position that he would otherwise have been in had it not been for NatWest's error, so he'd secured a competitive fixed rate mortgage.

Mr J said he thought he'd proved this mark shouldn't have been on his credit file when he was looking for a mortgage in early 2021. He'd shown evidence of income, and an otherwise clean credit report. And he'd provided what he said was expert evidence, saying he would have been able to get a mortgage without that negative mark. So he thought it was fair and reasonable to assume that if it wasn't for NatWest's error, he would have been able to obtain the mortgage. Because of that, he was asking NatWest to put him back in that position and provide him with a fixed rate mortgage at a rate that was available in early 2021.

I have considered the additional evidence that Mr J has supplied, including the authorities he cites in support of his view that the marks on his credit file should no longer have been visible by early 2021. But unfortunately I've been unable to agree that this mortgage account ought not to have been visible at all on his credit file at this time.

Mr J's argument appears to be that his mortgage should have been defaulted at the same time as his other debts, on the date of his bankruptcy order. But if we are considering whether Mr J could have got a mortgage, then the key issue here is how long this mortgage account, which stopped receiving payments in 2014, would be visible on Mr J's credit file. And it's my understanding that the account should have been recorded as closed, and partially settled, once Mr J's bankruptcy was discharged. So even if the default had fallen away six years after Mr J's initial bankruptcy order in 2014, the fact the account was closed and not repaid in full would still be visible on his credit file for six years from the closure date, which was a year later."

NatWest initially said it closed this account in late 2017, because it wasn't notified until then that there was no prospect of payment towards the account. And the credit file Mr J sent us notes that this account would then have been visible until December 2023. But NatWest later said the date of satisfaction on this account should have been backdated to July 2015, when Mr J's bankruptcy was discharged. For the reasons I've now set out above, I think that's right. And that would mean this account would have been visible on Mr J's credit file until July 2021, as I'd previously said. I think that was always likely to mean Mr J would have had very significant difficulties in securing a mortgage in early 2021.

We know that Mr J chose to purchase this property with his savings, rather than go to a non-standard lender to secure a mortgage in 2021. I think he would still have been likely to face the same choice then, even if NatWest hadn't made a mistake over his credit file, and the outcome would still have been the same. So I still don't think it would be fair and reasonable to ask NatWest to pay more compensation in this case, in addition to the £500 it has already paid, or to ask it to provide Mr J with a mortgage now.

For the reasons I've set out above, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 October 2023.

Esther Absalom-Gough
Ombudsman