

The complaint

This complaint's about a mortgage Mr A used to hold with be Bank of Scotland Plc trading as Birmingham Midshires (BM). The essence of the complaint is that BM sent Mr A a payment notice increasing the monthly payment to around £2,000; he'd previously been paying in the region of £700. Mr A complains that BM then recorded adverse information on his credit file, which has ruined his credit score.

What happened

The broad circumstances of this complaint are known to Mr A and BM; they've been set out in correspondence between both parties. I'm also aware that the investigator issued a comprehensive response to the complaint which has been shared with all parties, and so I don't need to repeat all of the details here.

Instead, I'll provide a brief summary of the key points, in my own words, rounding the figures, and then focus on the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr A's mortgage was in two parts, an interest-only component with a balance of around £44,000 and a capital repayment element which, by the end of 2021, had an outstanding balance of a little under £2,000. Both parts were due for repayment in February 2022. An interest rate change took place at the end of 2021, prompting a review of the contractual monthly payment (CMP). With the mortgage due to end so soon, the revised CMP went up to just over £1,820. About £80 of this was the monthly interest due on the interest-only part of the mortgage. The rest was the final payment on the capital repayment element.

Mr A told us he was so shocked by this that he stopped payments altogether for several months. This causes arrears to accrue, which BM reported on his credit file and sent him letters asking him to pay. In October, Mr A made a payment of about £1,990, which cleared the balance of the capital repayment element, and the CMP came down to a little over £80. In a final response issued in November 2022, BM said that provided Mr A then continued to make the monthly CMP, the account would show as up to date and be reported as such going forward.

When the complaint came to us, our investigator thought BM's reporting on Mr A's credit file, had been reasonable. But he thought the arrears letters had overstated the true position by treating the unpaid CMP every month as nearly £2,000, thus increasing the overdue balance quoted in its "chase" letters by that amount each month. The investigator thought BM should pay Mr A £150 compensation for the distress this caused.

Mr A asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the

Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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

The starting point here is that the terms of the mortgage agreement Mr A was due to repay the mortgage in full in February 2022. That should not have come as a complete surprise to him, as the mortgage term was in the original mortgage offer, and the remaining term would have been included in each annual statement Mr A received from BM. Additionally, BM wrote to Mr A in January 2022, entirely separately from the CMP change notification, reminding him that he was due to pay the full balance (a little under £47,000) the following month, and asked him to call it to discuss how he intended to do that.

Looked at in that context, being asked to pay a CMP of around £1,820 at the same time as being asked how he intended to pay the full balance of almost £47,000 should not have been quite so shocking as Mr A has indicated. But in any event, the CMP increase wasn't, in itself, an error. It was the amount Mr A was due to pay on the capital repayment part of the mortgage, in order to clear it when due.

Nor was it an error on BM's part to then record the entries it made on Mr A's credit report. That was direct consequence of Mr A ceasing to pay anything at all for several months. Whatever difficulties Mr A may then have experienced when trying to obtain credit elsewhere, they aren't the result of a mistake by BM. I don't mean this unkindly, but they're the result of Mr A not paying the increased CMP to clear the capital repayment element when due.

Had he done that, the CMP would then have immediately reduced to reflect just the amount due each month on the interest-only element, until such time as Mr A could arrange to refinance the remaining balance, which I understand he has recently done. If Mr A wasn't able to pay the increased CMP asked of him by BM at the beginning of 2022, then I think a more reasoned response would have been to pay as much as he could, and then discuss the situation with BM. Paying nothing at all can never do anything other than make a bad situation worse.

BM was at fault in the way it represented the arrears balance being demanded in the letters it sent Mr A during 2022. For the upset that caused, it's my view that £150 compensation is fair in all the circumstances, given the wider context of the whole mortgage being overdue for repayment.

My final decision

My final decision is that I uphold this complaint in part only. In full and final settlement, I order be Bank of Scotland Plc trading as Birmingham Midshires to pay Mr A £150. I make no other order or award

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 January 2024.

Jeff Parrington

Ombudsman