

## **The complaint**

Mr B and Miss K complain National Westminster Bank Plc (NatWest) have reported inaccurate information about missed payments on their mortgage account to credit reference agencies (CRAs). They say that affected their ability to borrow. And they are unhappy with the service NatWest provided when they were capitalising the arrears.

## **What happened**

Mr B and Miss K have a capital and interest repayment mortgage with NatWest that is secured over their residential property.

In 2022 Mr B and Miss K were in difficulties making their contractual monthly payment (CMP). Unfortunately, Mr B had been without work due to the coronavirus pandemic. And Miss K's income wasn't enough to cover all their outgoings. Although they'd managed to keep paying the mortgage for a while, their funds were running out.

At the end of April 2022 Mr B discussed things with NatWest. He cancelled the direct debit for the CMP for May to avoid incurring any charges when it wasn't paid. And in early May he spoke to NatWest about the support they could provide. NatWest said they could agree an arrangement under which the CMP would be deferred for two months, June and July; they'd review things after that; if Mr B and Miss K were able then to maintain the CMP and pay an additional amount for six months, it might be possible to capitalise the arrears. From that conversation, Mr B understood the impact on their credit files would be limited. And he said, based on that, they decided to go ahead with the payment deferral rather than borrow from family and friends.

During the deferral period, Mr B got a new job. He and Miss K were able to resume paying the CMP. They agreed a "capping arrangement" with NatWest under which they would pay the CMP and an additional amount for six months; and, at the end of that period, if they'd kept up payments, NatWest would agree to capitalise the arrears and fix the CMP at a level which would enable them to pay off their mortgage by the end of the term.

In around October 2022, after selling their family car, Mr B and Miss K tried to get finance for a replacement. Their application was declined on grounds of their credit rating. They were also unable to get credit for household items they needed and the limits on their credit cards were restricted.

Mr B discovered the entries on their credit files didn't make clear they had an arrangement in place with NatWest. He thought NatWest had made a mistake in reporting the arrangement. He was concerned that made them look like bad payers when he'd always paid on time, and he'd reached an agreement to defer payments here. Mr B and Miss K complained to NatWest.

NatWest didn't uphold the complaint. They said, in summary:

- Their representative Mr B spoke to in early May 2022 said if payments weren't made, they'd be reported as missed payments; but if an arrangement had been made it would report as an arrangement. He had made clear he wasn't an expert in how the credit files would be impacted.
- The credit file was showing arrears with an arrangement to pay (ATP) marker.
- They hadn't made a mistake – the information they'd given Mr B and the information on the credit file were both correct.
- During the capping arrangement, the arrears would show as an ATP until the capping arrangement had finished.
- Once the arrangement had finished, the arrears would then be capitalised, and the credit file would show arrears as zero.

Mr B and Miss K raised further concerns about the time NatWest had taken to process the capitalisation of the arrears on their mortgage account and the service they'd provided. In response NatWest said they'd issued the paperwork required to capitalise the arrears for Mr B and Miss K to complete and return in early March; they had no record of them returning it until mid-May; and there was no evidence they'd made a mistake in the capitalisation process which completed on 23 May 2023.

NatWest apologised for several service issues relating to contact Mr B and Miss K had had with them. They included continuing to call Mr B about the arrears after he'd spoken to them in mid-April 2023, even though they'd put a hold on contacting him; and being unable to tell him, when they ought to have been, that the paperwork hadn't been received. And they paid £150 compensation.

Mr B and Miss K didn't accept NatWest's responses and brought their complaints to the Financial Ombudsman Service. They said their credit file was continuing to show they were in arrears and the arrangement wasn't mentioned. Mr B said the stress, anxiety and still being unable to get credit was affecting his health and family relationships. In addition, they were having difficulty in re-mortgaging at the end of their fixed interest rate period. To put things right, Mr B and Miss K wanted NatWest to apologise, review their internal processes, remove the negative information on their credit files and pay them compensation.

Our investigator looked into the issues. In summary, she came to the view that:

- NatWest had made clear to Mr B that the payments he and Miss K would miss as a result of the payment deferral would be reported to the CRAs as missed payments with a note that there was an ATP in place.
- Mr B and Miss K hadn't made CMPs from May to August 2022 inclusive, so it was right to report them as missed.
- NatWest had shown they had correctly reported missed payments for May and June 2022 as an ATP.
- They hadn't reported the missed payment for July 2022 as an ATP but should have done since they'd agreed it was part of the agreed deferral arrangement.
- NatWest had also shown they'd correctly reported that payments between September 2022 and March 2023 were made under an ATP.
- NatWest had agreed to correct the reporting in relation to July 2022.

- Even if they had got that right, the missed payment in August was outside any arrangement and the payments reported correctly as being made under an ATP would have adversely affected the credit files. It wasn't certain NatWest's mistake had led to Mr B and Miss K being unable to get credit.
- It wasn't clear why capitalisation of the arrears had been delayed for so long between March and May 2023. NatWest should have picked up an email that had been quarantined in early May and resolved capitalisation around a week earlier. But there was no evidence of any mistakes by NatWest in March or April.
- NatWest should make sure they had reported March and April 2023 as being part of the ATP. That was fair since Mr B and Miss K had been trying to arrange the capitalisation and had paid their mortgage in the meantime.
- NatWest should also make sure they had reported the ATP during the capping period consistently across all the CRAs they report to from September 2022 to April 2023 inclusive.
- NatWest's offer to pay compensation of £150 was fair to put right the inconvenience they had caused by failing to report the July 2022 missed payment as part of the ATP and their delay in May 2023 in relation to capitalising the arrears.

Mr B and Miss K didn't agree with our investigator's view. They said, in summary:

- They weren't persuaded NatWest had reported things correctly.
- NatWest had never mentioned, and our investigator was wrong to say they'd missed a payment in August 2022.
- NatWest were responsible for the delays in dealing with the capitalisation.
- NatWest had previously paid them £150 for an administrative mistake. The proposed compensation of £150 wasn't enough to put right the mistakes they'd made here.

Since the complaint hadn't been resolved, it was passed to me to decide. I recently issued a provisional decision, an extract of which follows:

#### **"What I've provisionally 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.

I'm grateful for the information Mr B and Miss K and NatWest have provided. I have considered it all carefully, but I won't mention everything in my decision. No discourtesy is intended by that – it simply reflects the informal nature of the service we provide. I'll focus on what I think is key to my decision.

I note Mr B's strength of feeling about what happened. He's told us he'd never defaulted on loan payments. I can appreciate the difficulties he and Miss K faced in paying the mortgage in May 2022 were stressful and upsetting. And I understand their concerns that the arrangement they'd reached with NatWest didn't appear to have been reported properly.

My conclusions differ in some ways from our investigator's view. So, I'm issuing a provisional decision to give the parties the chance to make further comments before I issue a final decision.

Having listened to the call Mr B had with NatWest in early May 2022, I think NatWest fairly managed his expectations about how the deferral would work and what would happen once the deferral period had ended.

Mr B was obviously concerned about the impact of the payment deferral on his and Miss K's credit files as he raised it several times. NatWest's representative told him the deferred

payments would be treated as missed payments and reported to CRAs in that way with a note to show an arrangement had been agreed. He said he couldn't say how that would affect their ability to get credit.

I note Mr B and Miss K found it upsetting when NatWest later referred to the deferred payments as missed payments or arrears. But they weren't wrong to do so. Even though NatWest had agreed to the deferral, they were payments that were due to NatWest and hadn't been made. And the representative had explained they'd be reported as missed payments.

NatWest made no commitment on the call about what would happen after the three months had come to an end. They said they'd review things then. They explained that generally they'd capitalise the arrears provided a customer could show they could maintain the CMP and pay an additional amount towards the arrears for six months following the deferral period.

That's not an unusual requirement for lenders to have. The relevant rules require them to lend responsibly. It's reasonable for a lender to satisfy itself a borrower is able to meet the higher CMP needed to pay their mortgage off by the end of the term following capitalisation. Committing them to a higher CMP straight away could make their position worse. It was fair for NatWest to insist on the six-month capping arrangement here. Although Mr B had got a new job, NatWest reasonably wanted to check he and Miss K were able to make payments over a six-month period before capitalising the arrears.

Mr B mentioned on the call possible financial help from family and friends. I'm not persuaded that was an alternative to arranging the payment deferral. He told NatWest the deferral was critical. NatWest had told him they couldn't agree a deferral of more than three months. Although Mr B was being interviewed for a new job, he hadn't got one at the time. He mentioned the possibility of paying around £300 or £400 a month with help. But that was in the context of Mr B querying whether, if the arrears were kept lower than three months, they might be able to extend the deferral period for a further month if necessary. So, I don't think it was a realistic prospect that family and friends would pay the full CMP.

I think Mr B and Miss K would have gone ahead with the arrangement in any event. If they hadn't, they would have fallen into arrears without NatWest's agreement. That would have affected their credit file. And it's likely to have led to NatWest taking action to recover the arrears with the associated costs being added to their mortgage balance. I don't think Mr B and Miss K would have wanted that to happen. But, even if I'm wrong about that, I think NatWest explained things clearly; Mr B and Miss K ought reasonably to have understood the impact of deferring payment; and they made the decision based on that.

I'll go on to consider the CRA reporting.

Mr B's said the CRAs told him that NatWest were reporting "mortgage arrears" with no explanation about any arrangements in place. NatWest have explained they report on a monthly basis to three CRAs by extracting data from Mr B and Miss K's mortgage account. They've told us they make clear when reporting where any arrangement is in place. And they've sent some of the reports they submitted. I note what Mr B says the CRAs told him about NatWest's reporting. But I'm not aware they've shown him any written evidence of that. I've no reason to doubt NatWest's documents are genuine. I think it's reasonable to attach more weight to them.

As a general point, I can only require NatWest to ensure their reporting is correct. What the CRAs then include in the reports they make accessible to their customers and other lenders isn't something NatWest can control.

NatWest were right to report missed payments for May, June and July 2022 since no payments were made in those months. On the May 2022 call they said the arrangement would be for June and July since they could only defer payments for three months and the May payment had already been missed. Since Mr B had already discussed missing the May payment with NatWest so as not to incur a fee when his direct debit failed, it's fair that May was treated as part of the arrangement. On that basis the arrangement ought to have been reported for May to July inclusive. NatWest's reporting showed an arrangement was in place for May and June. They've agreed it ought to have included July.

Our investigator thought Mr B and Miss K had failed to make their CMP in August 2022; NatWest's reporting showed a missed payment then; and that was fair given it was over 30 days late. Mr B said they had made that payment. The deferral period had come to an end in July. Although the date their CMP was due had been changed to the end of the month as a result of the May 2022 call, it was due by 31 August. Mr B was in contact with NatWest about capitalisation at around that time, but that didn't affect payment of the CMP going forward. Since Mr B and Miss K didn't make a payment until 12 September, it was overdue, and it was fair if NatWest recorded the payment as late.

Mr B and Miss K agreed to make their usual CMP and pay an additional amount towards the arrears for six months between September 2022 and February 2023 under the capping arrangement. It was reasonable for NatWest to report that an ATP was in place during that period. As I understand it from the reports NatWest have provided, they haven't reported the period that ATP covered consistently. If that's right, they should amend that reporting. If the CRAs then report things differently, NatWest can't be blamed for that.

In addition, although the ATP ended in February, capitalisation didn't happen until May 2023. And NatWest reported arrears for March and April. I've considered what happened following the capping arrangement.

I note NatWest acknowledged issues arose with the service they provided in April 2023. They apologised and paid Mr B and Miss K £150 by way of compensation. But they said they hadn't made any mistakes in relation to the capitalisation process.

There's no evidence NatWest made any mistakes in sending out the paperwork Mr B and Miss K had to complete in early March 2023. Their letter was correctly addressed and it's reasonable to assume it was posted to them since Mr B and Miss K said they'd signed and returned it on 23 March.

Mr B and Miss K contacted NatWest on 17 April since their account was still showing arrears and capitalisation hadn't taken place. NatWest had no record of receiving the paperwork. They attempted to send a replacement for Mr B and Miss K to complete a few days later and again in early May. Their notes suggest there was an internal delay as two departments liaised with each other and a problem with one of those departments sending the email out which wasn't addressed for around a week. NatWest delayed the process between late April and mid-May. But they capitalised the arrears within a week or so after receiving the paperwork, which was reasonable.

Since the parties were in close contact about capitalisation during March and April 2023, I think it's fair NatWest should have treated that period as part of the capping arrangement and reported it to the CRAs on that basis, rather than as arrears.

Bearing all of the above in mind, I've thought carefully about any action NatWest need to take and the impact on Mr B and Miss K of the mistakes they made.

I can't generally ask NatWest to change their systems. That would be a matter for the regulator, the Financial Conduct Authority, to look at. I can only consider the individual circumstances of this complaint and what is fair and reasonable in relation to that.

Although I think NatWest need to make corrections to their reporting, which I'll set out below, I'm not persuaded their mistakes led to Mr B and Miss K's difficulties in borrowing and I think they had limited impact on them. I'll explain why.

I can understand the reaction of other lenders may have been different and Mr B may have had less awkward and upsetting conversations if the credit reports those lenders could access had shown the ATPs in place. But even if NatWest's reporting had been entirely accurate, I'm not persuaded it would have made a difference to Mr B and Miss K's ability to get finance.

That's because, whilst the lenders would have appreciated they'd reached an ATP with NatWest and weren't simply bad payers, their ability to meet payments under any loan they were applying for would have been brought into question. I can't be certain Mr B and Miss K's applications – whether to buy their new car or to re-mortgage - would have been treated any differently. Being unable to pay and/or being in arrears with their mortgage is likely to have been a concern to potential lenders whether an ATP had been agreed or not.

In the circumstances, even if there was evidence of reputational damage to Mr B and Miss K, I can't fairly say NatWest caused that. And any distress and inconvenience they suffered as a result of being turned down can't reasonably be blamed on NatWest either.

I've considered the information NatWest has provided about reporting the ATPs to the CRAs and to us as we've investigated things. They told Mr B and Miss K in response to their complaint that they hadn't made a mistake and the reporting was correct. Based on what I know so far, I don't agree it was entirely correct or consistent across all CRAs for the reasons I've explained.

I think NatWest ought to have provided a clearer and more accurate explanation about their reporting. The report Mr B and Miss K had got didn't match with the information NatWest had submitted. NatWest ought to have checked why that was, provided an explanation and acknowledged their mistakes in relation to July 2022 and March/April 2023 when they responded to Mr B and Miss K's concerns. Although I think they would still have brought their complaint to us given their wider concerns, their overall distress is likely to have been less knowing NatWest had accepted their mistakes.

I think the £150 compensation and apology was fair for the service issues Mr B and Miss K had suffered. The events they complained about were limited to a few communication difficulties and NatWest's failure to provide information they should have had to hand about whether they'd received the capitalisation paperwork from Mr B and Miss K. But it's reasonable for NatWest to compensate Mr B and Miss K further for the mistakes they made in reporting and failing to acknowledge that when they complained, as well as the delay in capitalising the arrears because of the delay in sending out replacement paperwork. I think £300 is fair and reasonable in all the circumstances.

Bearing all the above in mind, I've come to the following provisional decision:

If Mr B and Miss K choose to accept my final decision, National Westminster Bank Plc should

1. Correct their reporting to the CRAs they report to by

- a. Showing the July 2022 missed payment was part of the deferral arrangement agreed in May 2022;
  - b. Showing March and April 2023 were part of the capping arrangement; and
  - c. Ensuring reporting to all CRAs is consistent.
2. Write to Mr B and Miss K confirming the amendments they have made to their reporting.
3. Pay Mr B and Miss K £300 compensation for distress and inconvenience in addition to the £150 they have already paid.

### **My provisional decision**

I intend to uphold this complaint and direct National Westminster Bank Plc to take the action and pay the compensation I've set out above."

### **Developments**

NatWest made no substantive comments on my provisional decision.

Mr B and Miss K were unhappy with it. In summary:

- Mr B queried my direction that NatWest should amend the credit reporting and, from what I understand, whether it would make any practical difference.
- He confirmed he and Miss K had received compensation of £150 from NatWest but said that had been for an unrelated complaint; and they hadn't received the £150 they'd understood NatWest had offered as compensation for this complaint.
- He said since the £150 they had received was in relation to an isolated and purely administrative matter, the £450 compensation they thought I had proposed to resolve this complaint was inappropriate given the mistakes NatWest had made and their impact.

It became clear that there was some confusion about the complaints we were considering and the compensation I was proposing.

We clarified with NatWest that they had paid Mr B and Miss K compensation of £150 in relation to the additional concerns they'd raised in April 2023 and to which NatWest had responded in June 2023. We let Mr B and Miss K know that NatWest hadn't made any further offers to pay compensation. We pointed out to them that we were addressing here not only the issues they'd set out when they brought their complaint to us in May 2023, but also the additional concerns, since they were connected with their original complaint. And we explained my provisional decision was that NatWest should pay them an additional £300 making the total compensation for both complaints £450.

Mr B and Miss K agreed they'd received the £150 NatWest had referred to in their June 2023 letter and said that was for the isolated administrative issues they'd raised. They were unhappy we'd considered the additional concerns they'd raised since they hadn't asked us to. And, broadly, they thought £450 compensation, whether it included the £150 already paid or not, was too little given the three years of worry they felt NatWest had caused.

I've considered carefully what Mr B and Miss K have said and will now go on to give my final decision.

## **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.

From what I understand, Mr B's doubtful that NatWest's amendments to their credit file reporting will make a difference to his and Miss K's ability to borrow. I don't know if it will improve their position. As I mentioned in my provisional decision, records of missed mortgage payments, whether noted on the credit files as ATPs or not, are likely to affect a lender's willingness to lend. But it's important NatWest's reporting accurately reflects Mr B and Miss K's mortgage account, so it's right they should make the amendments. As I explained in my provisional decision, the amendments NatWest need to make are, broadly, to show the ATPs correctly and consistently across all their reports.

I appreciate Mr B's point that he and Miss K didn't initially bring the concerns they raised with NatWest in April 2023 and NatWest responded to in June 2023 to the Financial Ombudsman Service. However, Mr B and Miss K raised their additional concerns with NatWest before they brought their original complaint to us; NatWest responded in June 2023 while the original complaint was with us; the issues Mr B and Miss K raised were connected to their original complaint – in particular they included alleged delays by NatWest in capitalising the arrears they'd built up by deferring their payments and the arrears information appearing on their credit files as a result; and Mr B discussed the capitalisation issue with our investigator. In all the circumstances, it was appropriate for us to consider the complaints together.

In addition, our investigator looked at what had happened in relation to capitalisation as part of her investigation. I set out in my provisional decision that I was addressing all of the issues in both of Mr B and Miss K's complaints. And the parties have had the chance to provide additional comments and evidence since I issued my provisional decision. I can take everything they've said into account in relation to both complaints in reaching my final decision. So, it's appropriate for my decision to address them both.

I note Mr B and Miss K continue to have difficulties with borrowing. I explained in my provisional decision why NatWest can't be blamed for that. There's no new persuasive evidence that NatWest's reporting mistakes caused lenders to decline their applications for borrowing. So, I haven't changed my mind about that.

I don't underestimate the distress Mr B and Miss K have felt over the past three years. However, as I've explained, since NatWest can't reasonably be blamed for their borrowing difficulties, it isn't reasonable for NatWest to compensate them for the distress and inconvenience they've suffered as a result of those difficulties.

I explained the compensation I thought NatWest should reasonably pay in my provisional decision. I said NatWest should pay Mr B and Miss K £450 in total. That includes the £150 NatWest paid in response to Mr B and Miss K's April 2023 complaint. It means NatWest should pay a further £300. Although Mr B feels the £150 compensation was for some limited administrative issues, the complaint was wider than that as NatWest's response made clear. I see no reason to change my mind about why NatWest should pay compensation or the amount they should pay.

Bearing everything in mind, whilst I understand Mr B and Miss K will be disappointed, I see no reason to change the outcome I proposed in my provisional decision for all the reasons I've set out.



## **Putting things right**

NatWest should put things right on the basis I've set out below.

## **My final decision**

I uphold Mr B and Miss K's complaint. If Mr B and Miss K choose to accept my final decision, National Westminster Bank Plc should

1. Correct their reporting to the CRAs they report to by
  - a. Showing the July 2022 missed payment was part of the deferral arrangement agreed in May 2022;
  - b. Showing March and April 2023 were part of the capping arrangement; and
  - c. Ensuring reporting to all CRAs is consistent.
2. Write to Mr B and Miss K confirming the amendments they have made to their reporting.
3. Pay Mr B and Miss K £300 compensation for distress and inconvenience in addition to the £150 they have already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss K to accept or reject my decision before 31 May 2024.

Julia Wilkinson  
**Ombudsman**