

The complaint

Mrs T complains that she wasn't made aware that by entering into a payment arrangement on her Buy-To-Let (BTL) mortgage, her credit file would be affected. She said had Topaz Finance Limited trading as Siberite Mortgages (Siberite) explained the arrangement would have a negative impact on her credit file, she wouldn't have agreed to it.

What happened

Mrs T had a BTL mortgage with Siberite. In early 2023 the property was on the market to be sold and had no tenants at the time. She contacted Siberite in March 2023 to enquire about reducing her monthly mortgage payments until the property sold and she could repay any shortfall in payments following the sale. Siberite agreed to a short-term concession, where Mrs T paid roughly half her monthly payments for three months. Siberite wrote to Mrs T on 27 March 2023 to confirm the agreed arrangement.

Mrs T made the agreed payments of £250 on 1 April and 1 May 2023, against the contracted payments of £508.78 each month. Siberite wrote to Mrs T on 1 June 2023 to let her know the account had outstanding arrears of £517.56 and if the account was one or more monthly payments in arrears at the end of the calendar month it must notify credit reference agencies. Mrs T had made the June monthly payment of £250 as agreed on the same day.

Mrs T contacted Siberite on 15 June 2023 after receiving the arrears letter. An agent said Siberite had attempted to contact her on 31 May 2023 as it had identified the arrears on her account would be above the threshold for reporting missed payments for May. The agent said had she paid an extra £15 as part of the arrangement, her arrears would have been below the threshold, and it wouldn't have been reported on her credit file. Mrs T said if she had been informed of this when she set up the arrangement, she would have increased the payments. Mrs T complained that her credit file had been adversely impacted when she'd been told this wouldn't be the case.

Siberite wrote to Mrs T with further arrears letters in July and August. Mrs T resumed paying the contractual amount from July. Siberite provided its final response letter on 9 August 2023 and didn't uphold Mrs T's complaint. It said during the call where the concession was set up, the agent had explained underpayments would accrue as arrears and that arrears would be reported. It said Mrs T went on to request the three-month concession and a confirmation letter was sent which also stated it needed to update credit reference agencies if the arrears went over one month's payment.

Mrs T didn't accept this and referred her complaint to our service where one of our Investigators looked into the complaint.

Our Investigator thought the complaint should be upheld. He thought that although the agent explained a concession would cause the account to go into arrears and show on Mrs T's credit file, it didn't explain or make it clear enough that this three-month arrangement would have a similar effect and cause the account to go into arrears and be recorded on her credit file once a total of one month's worth of contractual repayments had been missed. He said had this been explained to Mrs T, she wouldn't have gone ahead with the arrangement and

would've maintained the full payments instead. He also thought when Mrs T called after receiving the first arrears letter, the agent missed the opportunity to tell her if she brought the arrears below one month, it wouldn't be reported to her file.

Mrs T accepted this, but Siberite didn't. It said, in summary, that the agent explained the potential consequences if a concession was put in place. It also said on the second call Mrs T was made aware that if she brought the arrears below one month, arrears wouldn't be reported to her file.

As Siberite didn't agree with our Investigator, the complaint has been passed to me to consider and make a 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.

Mrs T contacted Siberite as she didn't have tenants in her BTL property. She was looking to sell it and it was on the market. During this call, she said while she was able to meet the contractual payments, it would relieve some pressure if she could make reduced payments until the property had sold.

Siberite agreed to a concession where it would accept less than the contractual payment for three months. I think it was fair and reasonable for Siberite to treat Mrs T with forbearance and be flexible in its approach by considering a concession on her BTL mortgage.

But I'd expect to see Siberite make it clear to Mrs T what the concession would involve and the impact it would have in order for her to make an informed decision about whether she wanted to proceed.

I've listened to the call where the concession was agreed and the agent explained if a short-term concession where she didn't pay anything was set up, anything not paid would go into arrears which would show on Mrs T's credit file. Mrs T was reluctant to go ahead with this when she heard it would impact her credit file – it's clear to me this was a priority to her as a BTL landlord with multiple properties and mortgages.

Mrs T then asked if she could make half payments, which the agent agreed to for three months. Mrs T has said she thought the half payments wouldn't impact her credit file. Siberite has said the agent explained it would impact her credit file at the start of the call. I've thought carefully about this, and on balance I think Siberite should have done more to make sure Mrs T understood what she was agreeing to.

As I've said, it's clear Mrs T was concerned about her credit file and that this was important to her. Initially, the agent explained anything unpaid would be reported as arrears and would impact her credit file, and Mrs T was reluctant to go ahead because of this. She then asked if she could make half payments. Siberite agreed she could do, but it didn't confirm that even this would impact Mrs T's credit file.

Siberite says Mrs T was aware that half payments would still impact her credit file and then chose to go ahead regardless. But I don't agree this was the case. I think Mrs T was suggesting half payments as she thought this was an alternative which wouldn't impact her credit file. I think Siberite should have done more to clarify the half payments would also be reported as arrears before putting the arrangement in place. And I think the absence of clearer information led Mrs T to believe that her credit file wouldn't be affected if she agreed to this arrangement.

On balance, I think had this been made clear, Mrs T would've continued to make full payments. I say this as at the start of the call, she confirmed she was able to make the full payments and that this was just to take off some pressure. And it's clear that she wanted to protect her credit file. She's already declined a payment arrangement that would affect her credit file, so I can't see her agreeing to pay half of the monthly payment if she was aware of the impact it would have. This is further confirmed in the fact that she took action by contacting Siberite as soon as she was aware that arrears were being recorded.

Siberite has said the confirmation letter it sent to Mrs T also made her aware the concession would impact her credit file and she could have changed her mind then. The letter said, "*If your account is one or more monthly payments in arrears at the end of each calendar month we must notify credit reference agencies of the level of arrears and the status of your account each month*". But I don't think it was clear to Mrs T that her account would be one or more monthly payments in arrears. And taking into account that the call where she set up the arrangement had left Mrs T thinking that her account wouldn't be falling into arrears as she was still making monthly payments, I think she would've been under the impression that she wouldn't be in arrears.

During the call the agent asked Mrs T how she would make the payments if the sale of the property was delayed, and she confirmed she could afford to make the contractual monthly payments. I've not seen that Siberite asked any further questions about Mrs T's personal circumstances to find out what would be helpful to her. I think if Siberite had asked Mrs T what she was looking for, it would have been clear that while she was wanting to make reduced payments for a short term, it was very important that it not impact her credit file.

Siberite confirmed to Mrs T in the call following her receiving the arrears letter, that if she had paid £15 more per month the arrangement would have been under the threshold for reporting arrears to credit reference agencies. I think this is something that should have also been explored with Mrs T when she first enquired about the payment arrangement. During the call the agent explained that the payment arrangement had been set up by someone in the call centre, but the call should have been passed through to the commercial portfolio team. He thought that if the call had been put through to the commercial portfolio team the option to have the arrears below the threshold for reporting wouldn't have been missed. So, I don't think it's fair that this option wasn't presented to Mrs T when she first contacted Siberite about making a payment arrangement but didn't want her credit file impacted.

As Mrs T could afford the contractual monthly payment, I've no reason to think she would not have chosen to pay a further £15 to keep the arrears below the threshold for reporting. If acting fairly and reasonably, I think Siberite should have offered this to Mrs T in the first instance and I think this would have meant her credit file wouldn't have been impacted.

Overall, I think Siberite should have made it clearer to Mrs T the concession agreed on would show as arrears and be reported on her credit file. If this had been done, I don't think she would have proceeded with this option. I think Siberite should have done more to make clear that what Mrs T was agreeing to would impact her credit file if she went ahead. And it should've offered a concession that was right for Mrs T's circumstances and didn't impact her credit file.

Given that Mrs T could've maintained the monthly payments if necessary, I don't think that recording arrears is a fair reflection on Mrs T's credit file. I'd normally say that for Siberite to amend the credit file, Mrs T would have to make the payments up as she could've done. But given that the mortgage has since be repaid, this isn't necessary in this situation.

This matter has caused Mrs T some distress and inconvenience as well. As I've set out above, she was led to believe that the arrangement to pay a reduced amount wouldn't impact her credit file only to find out that she was recorded as being in arrears. This would've been upsetting for her taking into account that she had other mortgages which may need renewing in the future. I think Siberite should make a payment of compensation for this. Our Investigator has suggested £200. I agree that this amount is fair and reasonable in the circumstances.

Putting things right

Siberite should remove any arrears or arrangements recorded on Mrs T's credit file from this period. If there were any arrears charges to Mrs T for this period, these should be refunded along with 8% interest from the time she paid the charges until the refund is made. It should also pay Mrs T £200 compensation for the distress and inconvenience this matter has caused.

My final decision

I uphold this complaint and direct Topaz Finance Limited trading as Siberite Mortgages to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 20 March 2024.

Rob Deadman
Ombudsman