DRN-4641519

The complaint

Mr and Mrs M complain that TSB Bank plc didn't update their credit files when they repaid their mortgage in 2018. They say this had an adverse impact on applications for mortgages and other credit and ask for compensation.

What happened

Mr and Mrs M repaid their mortgage with TSB in mid-2018. Their credit files should have been updated at that time to show the mortgage settled with a zero balance.

Mrs M contacted TSB in September 2018 as it hadn't updated her credit file. Mr M contacted TSB in December 2019 to say that his credit file still showed a mortgage balance of about £185,000.

Mr and Mrs M applied for a mortgage in 2023. They discovered Mr M's credit file had still not been updated properly and contacted TSB.

TSB says it had problems updating information with the credit reference agencies (CRAs) in 2018. It accepts it made errors. It should have updated both credit files when Mrs M contacted it in 2018, and made sure Mr M's was correct when he contacted it in 2019.

TSB corrected Mr M's credit file in September 2023. It paid compensation of £1,000 for the distress and inconvenience its error had caused. TSB said it seemed probable this had an impact on Mr and Mrs M's ability to take out credit. It said it would investigate the implications if Mr and Mrs M provide evidence, such as declined applications.

Mr and Mrs M say because of TSB's error they weren't able to borrow the full amount they wanted from a high street mortgage lender in 2022. They took out a second charge loan for the difference, at a higher cost. And they were unable to port their mortgage or apply elsewhere for a mortgage when they wanted to move home in September 2023.

Our investigator said the available evidence didn't suggest that any problems Mr and Mrs M had with their mortgage applications were due to TSB's error. He said this was more likely due to the loan to value ratio and their other credit commitments.

Mr and Mrs M didn't agree and asked that an ombudsman re-consider the matter.

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.

There's no doubt that TSB made an error. It didn't update Mr M's credit file correctly until it was contacted by Mr and Mrs M in 2023 –the third time they'd contacted it about the same matter since the mortgage was repaid in 2018. I think it's right that TSB paid compensation for the upset and inconvenience this error caused.

What I have to decide is whether TSB's error caused financial loss to Mr and Mrs M, or such a level of upset and worry as to make it fair and reasonable to require TSB to pay further compensation.

Mr and Mrs M say they were unable to take out a mortgage for the full amount they wanted with a high street lender in 2022, and had to make up the difference with a more expensive second charge loan. And they were unable to port the mortgage or apply for a new mortgage in 2023. They are also concerned that the way the TSB mortgage was reported on Mr M's credit file affected their access to and cost of other credit.

I think Mr and Mrs M's concerns are understandable. I can also understand that it's difficult for Mr and Mrs M to provide evidence of any losses. Mrs M tried to source evidence – for instance of the hard searches recorded by lenders on their credit files. While this could evidence an application, it wouldn't explain why a credit application didn't go ahead.

Mrs M says they didn't keep records of each application for credit since 2018, as they had no idea this would later be required. I can understand that. Most likely though any potential lenders wouldn't have specified in sufficient detail why an application was declined. If a lender had said an application was declined because of the TSB mortgage, Mr and Mrs M would have been aware of the problem sooner. The fact that they weren't suggests that lenders didn't tell them this was the reason. That means any records Mrs M might have been able to provide wouldn't necessarily evidence that an application was declined due solely or mainly to the way the TSB mortgage was reported on Mr M's credit file.

I need to be fair to both parties. While TSB did make an error, for me to require it to pay compensation for financial loss, I'd need evidence of the financial loss and find that it was most likely caused by TSB's error. I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

In 2018, while they had their mortgage with TSB, Mr and Mrs M applied to port the mortgage and for additional borrowing. TSB declined. It provided its underwriters' notes which say this was due to Mr and Mrs M's credit commitments and undisclosed adverse credit. So at this point, there were reasons why a lender might decline an application from Mr and Mrs M which were not due to TSB's later error.

Mr and Mrs M took out a new mortgage in 2022. The lender provided information to us about their application. Mr and Mrs M applied for a mortgage loan of £195,000 and this is the amount the lender offered. The TSB mortgage isn't included in the affordability assessment. There's no suggestion the amount the lender agreed to lend was reduced because of the way the TSB mortgage was reported on Mr M's credit file, or that the lender had any concerns about this.

Mrs M said they wanted to borrow £250,000 in 2022 and were unable to do so. Mrs M sent a message from the broker that recommended the mortgage. The broker said that the lender wouldn't lend the full value of the property. He said based on affordability Mr and Mrs M's maximum borrowing was about £195,000 subject to credit checks.

Based on the available evidence, I think the reason Mr and Mrs M couldn't borrow as much as they'd have liked in 2022 was due to affordability. I'm not persuaded the loan was reduced due to the way the TSB mortgage was reported on Mr M's credit file, or that the lender would have offered a larger loan if this information had been correctly updated.

Mr and Mrs M applied for a second charge loan in early 2023. The application says this was for debt consolidation and home improvements. Mr and Mrs M haven't said there were problems with this application due to how the TSB mortgage was reported on their credit files. The second charge loan (of £55,000) was offered to Mr and Mrs M.

Mr and Mrs M were considering moving in 2023 and took advice from a broker. The broker told us he first met with Mr and Mrs M on 5 September 2023 and did a fact find. He said that Mr and Mrs M were putting their house on the market for sale and wanted an idea of potential mortgage borrowing so that they could look for a property to buy. The broker said Mr and Mrs M wanted to apply for a mortgage on the basis all of their secured and unsecured debts would be repaid. The broker said as they had an early repayment charge he requested an agreement in principle (AIP) from their lender.

It was at this point that the problem with how the TSB mortgage was being reported on Mr M's credit file came to light. But I don't think, based on the evidence, this is what prevented Mr and Mrs M proceeding with a mortgage application in September 2023.

TSB corrected Mr M's credit file in September 2023. Any mortgage application submitted after this wouldn't be affected by the error. It seems unlikely Mr and Mrs M were in a position to submit a mortgage application before Mr M's credit file was corrected.

Mrs M says they didn't make a mortgage application because their AIP was declined. However, the broker said they received an AIP from another lender. The broker said he didn't submit a mortgage application pending the sale of Mr and Mrs M's property. He said Mr and Mrs M withdrew the property from sale in October 2023.

I appreciate that Mrs M believes their lender declined the AIP due to the way the TSB mortgage was reported on Mr M's credit file. As I said, I don't think this is the reason they didn't proceed with an application. But I'd also say, for completeness, that it seems the lender had other concerns about the application.

The broker said the lender declined the AIP for a loan between £250,000 to £400,000 due to credit score. The broker spoke to the lender which said this was due to the loan to value ratio. The broker said the lender referred to credit commitments not matching and to the "secured loan". While this could be a reference to the TSB mortgage, equally it could be a reference to the second charge loan or concerns that the balances for other commitments didn't match the information provided to the broker.

Mrs M says this reference to the secured loan in 2023 is evidence that their lender was aware of the TSB mortgage when they took out the mortgage in 2022. I don't think that follows at all. This lender offered them a mortgage for the amount they applied for in 2022 and expressed no concerns about the TSB mortgage in the underwriting notes at that time.

Mrs M provided a "snip" from an email in which a broker said he had problems getting an AIP and had received a message that "Your client has a mortgage on their credit file which has not been declared". The broker went on to say that this could be the TSB mortgage and asked Mrs M for the closing statement to provide to the lender. This message is undated. However, Mr and Mrs M say they weren't aware of the problem with how the TSB mortgage was reported on Mr M's credit file until September 2023. So this message was most likely sent in September 2023, after the issue had come to light. So I don't think this is evidence that a potential lender had concerns about the TSB mortgage prior to September 2023.

In response to Mr and Mrs M's complaint, TSB said it was probable that its error had an adverse impact on Mr and Mrs M's applications for credit. It said it would investigate the true impact on Mr and Mrs M if they provide evidence. I think it was right and fair for TSB to make that offer, and to ask for suitable evidence.

Mrs M says TSB told her it was still investigating their complaint. I think TSB was open to investigating the matter further. However, the final response letter asked for Mr and Mrs M to provide evidence and *once received* it would investigate further.

As I said, I can't fairly require TSB to pay compensation unless there's evidence of financial loss and that the loss resulted from its error. Mr and Mrs M might have made unsuccessful applications for loans and other credit and can't provide evidence as to why they were declined. I can appreciate their frustration about this. But the evidence that is available to me doesn't demonstrate that any difficulties Mr and Mrs M had were due to the way the TSB mortgage was reported on Mr M's credit file.

Mr and Mrs M contacted TSB in 2018, 2019 and in 2023 to ask it to correct their credit files. That caused Mr and Mrs M upset and inconvenience. They were caused further upset when their broker experienced problems applying for an AIP in September 2023 and TSB's error came to light. Although there isn't evidence that this impacted Mr and Mrs M's mortgage and credit applications so as to cause them financial loss, they were worried this was the case. I think it's right that TSB paid compensation for this.

In fairness, I must also take into account that Mr and Mrs M say they weren't aware between 2019 and 2023 that there was an error on Mr M's credit file. So this wasn't something they'd have been worried about during that time. When they did become aware of the error and contacted TSB it corrected the error the same day.

Taking all this into account, I think the £1,000 compensation paid by TSB is fair and reasonable in the circumstances.

My final decision

My decision is that I do not uphold this complaint. That's because I find that TSB Bank plc has done enough to put matters right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 17 May 2024.

Ruth Stevenson
Ombudsman