

The complaint

Mr B and Ms M complain about an entry Metro Bank PLC made on their credit files following a late payment to their mortgage account.

What happened

Mr B and Ms M took out a mortgage with Metro in 2021. They set up a direct debit to pay their contractual monthly payments, with the due date set at the 25th of each month.

On 25 February 2022, Metro called for the direct debit payment as normal. This was a Friday, and so it wasn't until the following Monday – 28 February – that Metro was notified that the direct debit request had been returned unpaid by Mr B and Ms M's bank.

Metro wrote to Mr B and Ms M about the missed payment the following day, 1 March. On 3 March it followed the letter up with a phone call. Ms M made a card payment over the phone to cover the missed payment.

The reason for the problem was that Ms M had changed jobs that month, and her pay date had changed from the 24th to the 28th of the month – meaning that there weren't enough funds in the account on 25th February to cover the direct debit. To prevent this happening again Mr B and Ms M changed their monthly payment date to the end of the month.

In the meantime, Metro had reported to the credit reference agencies that the February payment had been missed and subsequently made up. Mr B and Ms M only discovered this around a year later when they were refused new lending elsewhere.

Mr B and Ms M complained. They said that it wasn't fair to have reported a missed payment when it wasn't their fault the payment wasn't taken and they had the funds available, and when they'd made up the missed payment as soon as they had become aware. They understood that Metro wouldn't have reported it as a missed payment if they'd made payment by the end of the month – so Metro should have contacted them sooner than it did, and should have called or texted rather than sending a letter as the first contact. They also said that Metro had wrongly reported the payment as having been missed in March not February, which caused an extra month's delay before they could show new lenders a full year of on-time payments. Mr B and Ms M said that this had caused them a great deal of hardship because they'd been relying on being able to re-finance substantial unsecured debt which had become unsustainable for them – and the marker made the situation worse because they could no longer move credit card debt to new 0% deals.

Metro said that it had made the report accurately and fairly at the time. In view of the circumstances, it now agreed to remove it – but said this didn't mean it had made an error at the time it made the report. However, it offered £100 compensation because there was a delay in processing the credit file amendment and because it had initially given Mr B and Ms M incorrect information about its decision.

Mr B and Ms M weren't happy with that and brought their complaint to us. Our investigator didn't think Metro had acted unfairly in making the report, and that the offer of £100

compensation and the removal of the marker in 2023 was a fair resolution. Mr B and Ms M didn't agree and asked for their complaint to be reviewed by an ombudsman.

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.

I've very carefully considered everything Mr B and Ms M have said. They've presented their complaint in detail and with clarity and I have a good grasp of their arguments. I'm sorry to hear of the difficulties they've encountered. I appreciate how important their complaint is to them and with that in mind I've sought to bring it to a conclusion as quickly as I can – whilst ensuring I've taken everything fully into consideration. I appreciate Mr B and Ms M will be unhappy with the outcome I've reached, but I hope they'll understand my reasons for it.

The terms and conditions of Mr B and Ms M's mortgage say, in section 23.7:

We may share your information, and information about any joint applicant, with credit reference agencies:

...

(b) We will also add to your record with the credit reference agencies details of your agreement with us, the payments you make under it, and any failure to keep to its terms.

The terms and conditions also say that monthly payment must be paid monthly on the "payment day" (or the next working day if the payment day is a weekend or bank holiday). Mr B and Ms M's payment day was the 25th of each month.

What this means is that Mr B and Ms M were required to make payment on the 25th of the month. And it means that Metro was entitled to report the mortgage – and the payment history – to credit reference agencies. That includes any missed or late payments.

It's not in dispute that the February 2022 payment wasn't made in time. It wasn't made until 3 March. In those circumstances Metro was entitled to report the late payment to the credit reference agencies.

But it's not enough to say that Metro was entitled to make the report; I also need to think about whether doing so was fair and reasonable in all the circumstances. As I'll explain, I think it was.

Reporting payment history is standard practice in the financial services industry – for all forms of credit, not just mortgages. Credit files play an important role in safeguarding both lenders and customers; by allowing lenders to make lending decisions which take into account a borrower's credit history, they help protect lenders from lending money that might not be repaid, and help protect borrowers from taking out borrowing they might not be able to manage. But because of the significance of credit files, lenders should ensure that reports are accurate and fairly reflect the conduct of an account.

For those reasons it's not unreasonable for Metro to have reported that Mr B and Ms M missed their February payment, only making it up in March. The fact is that they did miss that payment – whatever the reason for doing so. Ultimately it's a borrower's responsibility to make sure they meet their obligations and make payments on time. Mr B and Ms M knew Ms M was changing jobs and changing payment day, and could have made arrangements to

deal with this – either by ensuring enough funds were in the account from another source, or by asking Metro to change the payment date before it fell due, for example. Having not taken steps such as those, Mr B and Ms M were unable to pay their monthly payment on the date it fell due because there weren't enough funds in the account they'd asked Metro to collect the payment from. There were enough funds a few days later, once Ms M was paid – but that doesn't change the fact that they were unable to pay their mortgage from the account they'd nominated on the due date.

Metro's policy is to report a payment as missed if it isn't made by the end of the month in which it falls due – as happened here. That does mean that if the due date is at the start of the month, the borrower has more time to make it up than if the due date is towards the end of the month.

Because Mr B and Ms M's due date was the 25th of the month, and this was February, they only had one working day (Monday 28 February) to make up the missed payment and prevent Metro recording it. I appreciate they didn't know it had been missed until 3 March, by which time it was too late. But I don't think it's unreasonable that Metro uses the end of the month as a standard cut-off point – that's simpler and administratively less complex than giving each borrower one calendar month from their individual due dates, for example. And it aligns with the fact that interest is added to the balance monthly – and expected to be repaid monthly.

Ultimately Metro would have been entitled to report the payment as missed the day after the due date whenever the due date fell in the month – so by only reporting payments not made up by the end of the month it allows customers more time than they're contractually entitled to.

And Mr B and Ms M knew their payment due date, and could have made sure enough funds were in the account, or could have changed the due date. They could also have checked their bank account to confirm their mortgage payment had been made on or after the due date, and before the end of the month – giving them time to resolve any problem – rather than only taking action if contacted by Metro. I don't think the mere fact that their due date was towards the end of the month, or that this was a shorter month, means that it was unfair that Metro reported in March that February's payment hadn't been made by the end of the month.

I also don't think that Metro reported the payment incorrectly. It reported that there had been a missed payment, which meant that the mortgage entered March one month in arrears, and was back up to date by April. That was accurate.

I'm not persuaded that Metro ought to have contacted Mr B and Ms M more quickly, or by a different method, than it actually did following the missed payment. It wrote to them within two working days and spoke to them by phone within a week. That was reasonably prompt. It's unfortunate that Mr B and Ms M didn't receive that contact until the next month, but that was because their due date was towards the end of a short month rather than because Metro unreasonably delayed in contacting them. Ultimately, as I say, it was Mr B and Ms M's responsibility to ensure their mortgage was paid on time and they could have checked for themselves that it had been. I appreciate they relied on the direct debit collection, but in choosing to leave their mortgage payments to third parties without confirming payment on time for themselves there was a risk that a situation like this might arise.

Once Mr B and Ms M realised the report was on their credit files, and contacted Metro about it, in 2023, Metro agreed to remove the report. I think that was fair. By then, a further year had passed with no missed payments. Mr B and Ms M had made that one up straight away and ensured there had been no repetition of the problem. It wasn't unreasonable for Metro to

take the view that continuing to leave the missed payment marker on their credit files wasn't reflective of the overall way in which they'd conducted their mortgage.

But I don't think it follows from that that Metro acted unreasonably in reporting the missed payment in the first place. It was an accurate record at the time it was made, and one Metro was entitled to make. At the time it made the report, Metro wasn't aware of the wider circumstances or of how Mr B and Ms M would go on to manage their mortgage thereafter. They had in fact missed making their February 2022 payment by the end of that month, and it wasn't unreasonable for Metro to report that to their credit files at the time – even if it agreed to take the report off again a year later.

In saying that I have taken into account everything Mr B and Ms M have said about their circumstances and the impact that the missed payment marker had on them. I'm very sorry to hear of the difficulties they've faced. It's true that entries on a credit file can have very serious consequences – which underlines the importance of reporting being accurate. And I'm satisfied that it was accurate, and fair, in this case.

My final decision

My final decision is that Metro Bank PLC has made a fair and reasonable offer to settle the complaint and I don't require it to take any further action beyond paying £100 compensation, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms M to accept or reject my decision before 1 October 2024.

Simon Pugh
Ombudsman