

The complaint

Miss B complains that Santander UK Plc incorrectly registered a default on her credit file.

What happened

Miss B had an overdraft facility with Santander. As she had used more than the arranged overdraft with Santander, this created an unarranged overdraft. Santander wrote to Miss B in April 2020 to explain this. They asked her to make a payment within 10 days to clear the unarranged overdraft, or to contact them to make an arrangement to pay the unarranged overdraft.

Santander wrote to Miss B several times after the initial letter. As they heard nothing back from Miss B they removed all banking facilities (including her arranged overdraft) in June 2020. Miss B had been unwell so she gave Santander a call in July to see if she could make an arrangement to pay off the outstanding balance.

Santander completed an income and expenditure form with Miss B, but as she had more outgoings than income by £147 a month, they were unable to come to an arrangement to pay off the outstanding balance. Santander also explained to Miss B that there were debt charities which may be able to help her and recommended she talked to one of them.

As a result of this phone call Santander wrote to Miss B in July 2020 explaining that as she was in financial difficulty they would pause the collections process for 30 days. The letter explained they wouldn't add charges or interest to her account during this timeframe, but if they didn't hear from her within the 30 days then they would continue with the collections process.

As Miss B didn't contact Santander after July, they continued with the collections process. Santander wrote to Miss B several times from this date, including explaining to her that if she didn't pay the outstanding balance then they would need to tell credit reference agencies that she had defaulted on the account.

On 2 October 2020, Santander wrote to Miss B with a default notice, explaining that if she didn't contact them within 14 days of the notice then a default would be issued. As Miss B didn't contact Santander within the 14 days notice Santander started the process of registering a default.

Miss B rang Santander on 29 October 2020. She informed the call handler that her circumstances hadn't changed since she spoke to them in July. The call handler said that in order to put an arrangement in place then Miss B would need to complete another budget planner within 10 days but as her account was close to a default then she should try and complete it "today or tomorrow". Miss B said she would complete it on the same day.

Santander registered the default within the 10 days. Miss B complained to them and asked how they could register a default within the timeframe they had given her to complete the budget planner.

Santander told Miss B that the call handler gave her incorrect information and that as she had failed to contact them within the 14 days of the default notice then the default process had already started when she spoke to them on 29 October and that completing the budget planner would've made no difference to them registering a default. They paid Miss B £75 for the call handler giving her incorrect information but said they registered the default accurately.

Miss B didn't agree so brought her complaint to our service. She said she hadn't received a default notice from Santander. Our investigator did not uphold Miss B's complaint. The investigator said that Santander had wrote to Miss B at her registered address approximately 15 times regarding the unarranged overdraft but Miss B didn't respond to any of the correspondence between when she spoke to Santander in July and when she rang Santander on 29 October. The investigator concluded that Santander had correctly registered the default.

Miss B asked for an Ombudsman to review the complaint. She added that she's told Santander she doesn't always receive her letters and this was a poor way to communicate to her.

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 listened carefully to the call Miss B made on 29 October 2020 to Santander. On the call Miss B confirmed the last letter she received from Santander was "a couple of weeks ago". Looking at the correspondence Santander sent Miss B then I'm satisfied the letter she is referring to was the default notice. I say this as given Miss B's comment, along with the timing of the call and the letters that were sent to Miss B at this time, I think it's more likely than not that she received the default notice and was referring to this here. Although Miss B confirms she only read this letter the previous day I'm satisfied Santander fulfilled their duty in sending the default notice to the registered address and therefore it would be unfair to hold Santander responsible for Miss B not reading the correspondence that they sent her.

I've considered what Miss B has said regarding her not always receiving her post and informing Santander that this is not her preferred method of contact, however, I'm not persuaded that Miss B didn't receive any of the communication Santander sent her, as she said on the phone call on 29 October that she had received letters from Santander. While I appreciate that post isn't her preferred method of contact, it does appear that she has received the letters Santander sent, most importantly the default notice.

Santander have to follow regulatory requirements to send out information for accounts which are in arrears. That's what they did here and I don't think they acted unfairly in doing so. Letters like these will sometimes be worrying to receive and read, but they have to be sent so the bank can tell a customer what will happen, or has happened, to an account.

So I think that Santander were entitled to apply the default as they did here. But Santander shouldn't have inferred to Miss B that by completing a budget planner that this may avoid a default. Although the call handler confirmed the default process had started, this information would've given Miss B false hope that the default could be avoided, when in reality it couldn't. Had she been told the correct information on the call - then this would've prevented any false hope she may have had that the default could've been prevented.

But, I've also thought about what would've happened had Miss B completed the budget planner within the time Santander mentioned. She said none of her circumstances had

changed since she completed the budget planner in July which showed she couldn't make an arrangement with Santander because she had more outgoings than income by £147 a month. When the call handler asks Miss B how she would be able to make arrangement in light of her circumstances not changing Miss B replies "I don't know".

So it's likely that a new budget planner wouldn't have enabled Santander to make a new arrangement. But in any event here, Santander had already told Miss B that she had 14 days from 2 October 2020 to contact them to discuss this to avoid a default and this didn't happen. So Santander were entitled to start the default process and that's what they did. While I understand that the default hadn't been fully registered with the credit agencies by the time Miss B had contacted Santander in October, I can't say that Santander did anything wrong by applying their terms and conditions and registering the default for the reasons above.

Santander have apologised for their mistake and credited Miss B's savings account with £75. I think this is fair as it recognises that the wrong information would've had an impact on Miss B. So I'm satisfied that the £75 paid is reasonable to reflect the impact the incorrect information would've had on Miss B.

With regards to the entries on Miss B's credit file though, Santander have a duty to report activity accurately to credit agencies and appear to have reported activity on this account accurately including registering defaults. Santander registered a default as she was unable to pay the unarranged overdraft balance for a significant amount of time. I realise that'll have a significant impact on Miss B – but it wouldn't be fair for me to tell Santander to remove information they've recorded that accurately reflects the conduct of the account. So it follows that I'll not be asking Santander to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 April 2021.

Gregory Sloanes
Ombudsman