

## **The complaint**

Mr M complains Santander Consumer (UK) Plc trading as Mazda Financial Services (Santander) treated him unfairly when he experienced financial difficulty due to the Covid-19 pandemic.

## **What happened**

In September 2016, Mr M entered into a 60 month conditional sale agreement for a used car with Santander. The car's cash price was £16,000 and Mr M was required to pay monthly instalments of £314.

In March 2020, Mr M contacted Santander to say due to the Covid-19 pandemic he wasn't able to work so he couldn't pay the monthly payments. Santander said they could set up a payment deferral but this would cost £60 or alternatively, they would change the due date so he wouldn't have to pay that month's instalment. Mr M chose the latter. Santander told him to contact them if his situation hadn't changed two weeks before the next payment date which was 25 April 2020. Mr M cancelled his direct debit on 25 March 2020.

By April 2020, Mr M's situation still hadn't improved and as advised, he tried to contact Santander by phone and online but he said he wasn't able to speak to them. On 7 May 2020, he applied for a payment deferral online which was agreed by Santander.

On 11 May 2020, Mr M settled the finance in full. However thereafter he received arrears correspondence saying he still owed money. Mr M said this caused worry and impacted his health so he complained.

Santander said due to the Covid-19 pandemic they were experiencing high volumes of calls and they had updated their website to assist consumers with Covid-19 related queries and requests. They confirmed when Mr M initially called in March 2020, they changed the due date and advised him to contact them back but they didn't say he should cancel his direct debit. As they didn't hear from him and the payment deferral wasn't requested until May 2020, the account fell into arrears so they were legally obliged to let him know about this.

Unhappy with their response, Mr M referred the complaint to our service. Our investigator recommended the case wasn't upheld. They said Santander had offered support by changing the payment date so nothing had to be paid in March. As April's payment wasn't met, the account fell into arrears so it was fair for Santander to send communication about the arrears. They didn't believe there was sufficient evidence to show Mr M contacted Santander before 7 May 2020 to request a payment deferral but they accepted he tried but he wasn't able to speak to them. Lastly they said it wasn't unreasonable that Santander was unable to stop the automatically generated text messages about the arrears because this was sent the day after the account was settled. Mr M disagreed.

As an agreement couldn't be reached, the complaint has been referred to me to decide.

## **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.

Having done so, I've decided not to uphold Mr M's complaint. I'll explain why.

This relates to a regulated conditional sale agreement so I'm satisfied I can consider complaints relating to these sorts of agreements.

The UK government imposed a nationwide lockdown due to the Covid-19 pandemic on 23 March 2020. Based on Santander's contact notes, I can see Mr M told them he was experiencing financial difficulty because of it.

At the time, there was no specific guidance about what to do for those affected by the pandemic. However there was existing guidance about dealing with situations of financial difficulty that I would expect Santander to follow. The guidance is found in the Financial Conduct Authority's handbook– Consumer Credit Sourcebook (CONC) which says '*A firm must treat customers in default or in arrears difficulties with forbearance and due consideration*'.

I thought about the options Santander provided to Mr M, that was a payment deferral at a cost of £60 or to change the due date meaning the next payment date would be 25 April 2020. They also advised him to contact them before this date should his situation not change. Neither party disputes this.

Rather than imposing a fee for a payment holiday, I believe Santander acted fairly by agreeing to change the payment due date. This is because it allowed Mr M some breathing space as a payment wouldn't be taken for March. Given the ever changing environment and the impact the pandemic was having I think it would be fair to say consumers like Mr M were uncertain what would happen. Equally, financial businesses like Santander were trying to work out how to assist their consumers who found themselves in similar situations as Mr M. Therefore I think it was reasonable for Santander to say he should contact them back closer to the next payment date in April if he was still struggling financially. Given these wider circumstances and the degree of uncertainty at the time, I believe Santander acted fairly and showed forbearance to Mr M as I would expect in light of his financial difficulties.

As advised, Mr M said he tried to contact Santander by phone and he sent messages via their website in April. Although I've seen no evidence of this, I have no reason to dispute what he has said and I accept this is what happened but he was unable to speak to Santander. They've explained due to the pandemic, their phone lines were significantly busy with queries from their consumers. While I acknowledge Mr M's efforts to contact them and his frustrations when he couldn't do so, I can't ignore what was happening at the time and the significant impact the pandemic would've had on Santander's operations and resources. These were unprecedented times.

Mr M said he subsequently received an arrears notice for £349 on 5 May 2020. Santander said whenever the account falls into arrears, such communication is generated automatically. For the reasons explained above, Mr M's account had fallen into arrears because April's instalment hadn't been paid so I don't believe sending notifications about it was unreasonable. Santander confirmed they didn't mark adverse information on his credit report and in the circumstances I think this was fair. Having read the arrears correspondence, I don't find them to be threatening or intimidating in nature as Mr M has suggested, its content is what I would expect to see in such communication. But I appreciate Mr M would've been upset about receiving it given he had been making attempts to speak to Santander. The arrears letter said a late payment fee of £35 was due but their

statement of account shows this fee was waived so I don't believe Santander need to do anything more here.

On 27 April 2020, the Financial Conduct Authority (FCA) published its *Motor finance agreements and coronavirus: draft temporary guidance for firms*. This set out what rule changes it was intending to make to deal with the impact of Covid-19. The guidance stated that a firm should grant a customer whose finances had been negatively impacted by the Covid-19 pandemic, a payment deferral for three months unless the firm determines (acting reasonably) it's obviously not in the customer's interests to do. The intention behind the guidance was to ensure consumers who would've otherwise been fine, wouldn't be negatively impacted by Covid-19. In this case, it's clear Mr M's financial difficulties were as a result of the pandemic so I'm glad to see Santander agreed to the payment deferral for Mr M so I can't say they done anything wrong.

Lastly, I understand Mr M is unhappy that he received communication about the account being in arrears after he had settled it, I appreciate this would've caused him to worry. Based on the evidence, I can see the account was settled in full on 11 May 2020. Text messages about the arrears were sent on 11 and 12 May 2020.

I have insufficient evidence to say if the message on the 11 May was sent before or after the account was settled. Santander haven't provided an explanation as to why arrears communication was sent on 12 May. On balance, as these messages were sent on the day and the day after the account was settled, I believe it's most likely their records weren't updated yet to take the full settlement into account. I can see Santander explained to Mr M in a subsequent call on 13 May that he could disregard the arrears messages so I'm satisfied this was made clear to him quickly without a long period of worry so I don't believe it's fair to say Santander should pay compensation.

Overall, I'm satisfied Santander treated Mr M fairly in light of his financial difficulties and they applied the FCA's guidance in line with what I would expect. So I won't be asking them to take any further action in resolution of this complaint.

### **My final decision**

For the reasons set out above, I've decided not to uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 December 2021.

Simona Charles  
**Ombudsman**