

The complaint

Mr Y is unhappy as he believes that Santander UK Plc have recorded incorrect adverse information on his credit file.

What happened

Mr Y had a current account with Santander that fell into arrears. Mr Y arranged to pay the overdrawn arrears on the account but didn't feel that this was reported accurately by Santander to his credit file. Mr Y was also dissatisfied how Santander had reported the status of his account in general to the credit reference agencies, so he raised a complaint.

Santander looked at Mr Y's complaint. It acknowledged that it had made incorrect reports to the credit reference agencies for the months of October and November 2020 following Mr Y clearing the balance in full in September 2020, and it apologised to Mr Y for this and credited £50 to Mr Y's account as compensation for the error. However, Santander maintained that the rest of their reports to the credit reference agencies were correct.

Mr Y wasn't satisfied with Santander's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that Santander's continuing reports to the credit reference agencies didn't acknowledge a payment plan that Mr Y had agreed to and made payments towards, as well as another month where Mr Y had made a payment to Santander but was recorded as having not done so. So, they recommended that this complaint be upheld in Mr Y's favour on that basis.

Santander didn't agree with the recommendation put forward by our investigators, so the matter was escalated to an ombudsman for 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.

I issued a provisional decision on this complaint on 28 October 2021 as follows:

Santander have demonstrated that they made the following reports to the credit reference agencies for the account in question.

*2019 Dec: Arrears status one
2020 Jan: Arrears status two
2020 Feb: Arrears status three
2020 Mar: Arrears status four
2020 Apr: Arrears status five
2020 May: Arrears status six
2020 Jun: Arrears status six - payment arrangement agreed
2020 Jul: Arrears status six - payment arrangement agreed
2020 Aug: Arrears status six
2020 Sep: No arrears reported (because arrears repaid in full by Mr Y)*

At the start of August 2019, Mr Y's account was approximately £880 overdrawn. Mr Y was making payments of £10 per month to reduce the balance of the account, and Santander had authorised an overdraft on the account for Mr Y to enable him to do so and they also weren't applying interest to the overdrawn balance.

However, in August 2019, Mr Y made a £150 withdrawal from the account. This was contrary to the repayment agreement with Santander and took the balance of the account beyond the authorised overdraft limit.

Mr Y didn't make any payments towards the account in September or October 2019, and in October 2019, Santander charged a £50 unauthorised overdraft fee to the account. A second unauthorised overdraft fee was applied to the account by Santander in November 2019, when Mr Y continued to not make a payment towards the account. And this pattern continued in December 2019, when no payment was made to reduce the balance of the account, and when Santander applied a third unauthorised overdraft fee to the account.

Later in December 2019, Santander reported to the credit reference agencies that the account was in arrears, with an arrears status of one. For current accounts, such as this account, the arrears status corresponds to the number of months that the bank considers that the account has been in a state of unauthorised arrears.

Given that Mr Y had made a withdrawal of £150 in August 2019 that had effectively counteracted the previous 15 months of £10 monthly arrears repayments, and given that Mr Y had made no repayments towards the account in the four months since that withdrawal, I find that Santander reporting that the account was only considered as being one month in unauthorised arrears in December 2019 to be generous, and I'm satisfied that this reporting wasn't unfair or unreasonable in any way.

Santander also made the decision to withdraw the authorised overdraft from Mr Y's account in December 2019. It's for a bank to decide whether it will offer, or continue to offer, an overdraft facility to a customer. What this service would expect would be, if a bank were choosing to withdraw an authorised overdraft facility, that it would do so on the basis of a valid reason and would give the customer fair notice that the facility would be withdrawn.

In this instance, given that Mr Y hadn't made any payments towards the account for some time and had taken the balance of the account beyond the authorised overdraft limit, I'm satisfied that it was reasonable for Santander to withdraw the overdraft facility. Additionally, Santander have been able to demonstrate that it sent letters to Mr Y's registered address informing him in advance that the authorised overdraft facility would be withdrawn.

In January 2020, Mr Y made two payments towards the account totalling £30, and he made another payment of £10 in February 2020. But at this stage, as explained above, Mr Y no longer had an overdraft facility on the account, and so Santander continued to report to the credit reference agencies that the account was in unauthorised arrears with an arrears status of two and three months respectively, for the months of January and February. It should also be noted that the payments that Mr Y made here didn't bring the balance of the account under the previously authorised overdraft limit. As such, I'm satisfied that it was fair for Santander to have made these credit reference agency reports.

In March 2020, Mr Y made a payment of £50 towards the account. He also spoke with Santander and agreed a repayment plan – to be reviewed after two months – with the first payment due on the plan before the end of March.

Unfortunately, Mr Y didn't make the agreed repayment before the end of March, with the first payment of approximately £72 only being received on 1 April 2020. And, while a second payment at the agreed amount was received later in April, because the first agreed payment hadn't been made in March, as was required, Santander considered that the payment plan had been broken and continued to report that the account was in ongoing arrears without a payment plan in place, and with an arrears status of four and five for March and April respectively.

I realise that Mr Y feels that he did make the two payments required by the negotiated payment plan. But given that Mr Y didn't make the first payment in the timeframe required, I don't feel that I can reasonably censure Santander for considering that the agreed plan hadn't been met. And while Mr Y may contend that he only missed the agreed timeframe by one day, it's still the case that the payment wasn't made by the date required. As such, I'm satisfied that Santander's reporting to the credit reference agencies for the months of March and April is fair and reasonable.

In May 2020, Mr Y made a further payment of £72 towards the account. However, given that no repayment plan was in place at that time, and given that the account was still overdrawn with no overdraft facility in place, Santander reported to the credit reference agencies that the account was in unauthorised arrears with an arrears status of six. This is the maximum number of months that an account can be reported as being in arrears, and again, I'm satisfied that it was fair and reasonable for Santander to have made this report.

Mr Y then contacted Santander again and agreed a new repayment plan at £72 per month. It remained the case that the account was in unauthorised arrears, but for the months of June and July, Santander reported to the credit reference agencies that the account had an unauthorised arrears status of six, but that a repayment arrangement was in place.

However, Mr Y didn't make a repayment towards the account in the month of July 2020, and so Santander considered that the repayment arrangement had been broken and as such in August 2020 they reported again that the account was in unauthorised arrears with a status of six but removed the notice that a payment arrangement was in place on the account. And again, given that no payment was made towards the account in the month of July, I'm satisfied that it was fair and reasonable for Santander to make this report.

Towards the end of August 2020, Mr Y made a payment to clear the outstanding arrears on the account in full, and no further reporting of arrears was made to the credit reference agencies by Santander following this payment.

All of which means that I find it very difficult to conclude that Santander have acted in any way unfairly or unreasonably in how they've reported the ongoing arrears status of Mr Y's current account to the credit reference agencies.

I'm aware that our investigator felt that because Mr Y had entered into a repayment arrangement in March 2020, that this should have been reflected in the reporting that Santander made to the credit reference agencies. However, given that Mr Y didn't make the first payment required by the arrangement within the necessary timeframe,

I'm satisfied that it was reasonable for Santander to conclude that the arrangement had been broken and I'm further satisfied that the reports that Santander did make to the credit reference agencies for the months of March and April 2020 were accurate and fair.

Additionally, our investigator also felt that because Mr Y did make a payment in August 2020, that Santander should have reported that the previously agreed payment arrangement was still in place for that month. However, given that Mr Y didn't make a payment towards the account in July 2020, I'm satisfied that it was fair for Santander to conclude that that payment arrangement had been broken and to report that no payment arrangement was in place for that month.

It follows from this that I'm satisfied that Santander have made fair and accurate reports to the credit reference agencies for all of the months under consideration here. And as such my provisional decision will be that I won't be upholding this complaint or instructing Santander to take any further action.

In my provisional decision letter, I gave both Mr Y and Santander the opportunity to provide any comments or further information they might wish me to consider before I moved to a final decision. Santander confirmed that they were happy to accept my final decision, whereas Mr Y didn't respond.

As such, I see no reason not to issue a final decision on the same basis as outlined in my provisional decision above, and so it follows from this that my final decision here will be that I won't be upholding this complaint.

I realise that this might not be the outcome that Mr Y was wanting, but I hope that he'll understand, given all that I've explained above, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 27 December 2021.

Paul Cooper
Ombudsman