

The complaint

Miss F complains that Santander UK Plc registered a default against her after it closed her current account.

What happened

Miss F had a bank account with Santander, which she opened in 2018. The account had an arranged overdraft facility of £250, which was removed and then increased to £1,500 in September 2019.

But aside from a deposit of £1,000 which Miss F made in August 2019, Miss F made no further deposits to the account. So Santander wrote to Miss F in December 2019 to explained it wanted her to start paying money into the account on a regular basis. It asked her to do this again in January 2020. And then in February Santander wrote to Miss F giving her 10 days to make a payment into her account.

As Miss F didn't make a payment, Santander restricted her account and blocked her debit card – and wrote to her explaining it had done this. In early March 2020, Santander told Miss F it would withdraw her banking facilities and she'd need to repay her overdraft in full unless she made a payment of £20 within 10 days. Then on 17 March 2020 Santander withdrew Miss F's banking facilities and demanded payment of the overdraft in full within 10 days.

Miss F then contacted Santander. At first, she agreed to pay £200 a month towards the account. Santander agreed to an arrangement to repay the overdraft over seven months, starting in April 2020. This would be subject to a review in late May, and Santander told Miss F she'd need to contact it before then.

In April 2020, however, Miss F contacted Santander to say she couldn't pay £200, Santander agreed she could pay £100 instead. Miss F made the payment in April.

Then in May 2020, a few days before the arrangement was due to be reviewed, Miss F called Santander again. She'd received a text message telling her she needed to pay £200. The adviser at Santander looked into this and thought this had been sent by mistake – the text message hadn't been amended to reflect the lower payment of £100. The adviser offered to talk to Miss F about her arrangement to repay the overdraft. But the line dropped. Miss F didn't call again to discuss her arrangement – but continued to make payments of £100 in May, June and July.

Meanwhile, towards the end of May, Santander wrote to Miss F to confirm it had received the payment of £100 towards her overdraft. But she now needed to pay the balance in full. She could, however, still contact Santander to discuss an arrangement. In June, Santander sent Miss F a default notice giving her 14 days to repay the overdraft. The account defaulted in July.

Miss F was unhappy that Santander registered a default against her. She says she thought she was still in an arrangement to repay the overdraft – and had been making the

repayments. And she says that she didn't receive Santander's correspondence from late March onwards as she was living somewhere else during the coronavirus pandemic.

I issued my provisional findings on 25 November 2021.

I said that I'd considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I'd also taken into account relevant law and regulations; regulators' rules, guidance and standards; codes of practice and what I consider to have been good industry practice at the relevant time. In particular, the Information Commissioner's Office (ICO) had issued "*Principles for the reporting of arrears, arrangements and defaults at credit reference agencies*". Principle 4 states that "if you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down". If an arrangement is agreed, then a default would not normally be registered unless the terms of that arrangement are broken.

In this case, Miss F had an overdraft. This was repayable on demand – and so after Santander withdrew Miss F's banking facilities, it demanded repayment of the overdraft within 10 days. It was then that Miss F entered the arrangement. She initially agreed to pay £200 a month for seven months. But the arrangement Santander set up included a review after the second payment. Santander sent me a statement from the adviser who set up the arrangement – this says Santander's budget planner showed a deficit. So it seemed Santander had concerns about the long run affordability of the arrangement.

Indeed, Miss F then contacted Santander in April to say that she wouldn't be able to pay £200, and arranged to pay £100 in April and May instead. The notes say that Miss F hoped to be able to make larger repayments in September once she had returned to university.

Miss F then contacted Santander again in May. She'd received a text message telling her she needed to pay £200, not the £100 that had been agreed. I'd listened to that call. The adviser stated that Miss F needed to call Santander to review the arrangement on 25 May. But as that day was a bank holiday, the adviser offered to extend the arrangement to 26 May. The adviser also offered to review the arrangement at that point. Miss F also mentioned during the call the possibility of paying £500 to the account – but Miss F's call dropped. Although the adviser tried to call back – and I see Miss F also called back and asked to speak to the adviser these calls were dropped as well. This meant Miss F didn't review the arrangement as agreed. Miss F didn't then contact Santander again until July. At this point Santander had already registered the account in default.

We'd asked Miss F about this. She'd said that she had family and mental health issues that meant she was unable to make that call in May. She also says she expected Santander to call her back. She nevertheless continued to pay £100 a month towards her arrangement. I have some sympathy for Miss F. It's clear she intended to repay this debt – she offered to pay £500 in May, and she has told us she had repaid the debt in full in September 2020 shortly after it was transferred to a third party. But equally, I could see that, strictly speaking, Miss F had breached the terms of the arrangement: she'd been told to call Santander to discuss the arrangement in May, and she hadn't completed the call.

Given what I'd said, I could see why Santander registered the default. Miss F hadn't contacted it to discuss the arrangement, despite reminders during her calls to them. She also didn't respond when Santander wrote to her in May to explain the arrangement had now come to an end, or when it wrote to say it now planned to register the default in June.

That said, I needed to decide what was fair and reasonable in the individual circumstances of Miss F's complaint.

Based on what I'd seen, I was satisfied that Miss F intended to continue repaying the debt. I wasn't persuaded the relationship between Miss F and Santander had truly broken down at the point Santander registered the debt. I also noted that Miss F told Santander that she intended to return to university in September. As this was a student account, there was some prospect she'd spend time away from her permanent address. And this account was "paper-free" – Miss F had told Santander she wanted to receive letters electronically; this was one of the conditions of her account. Given that she continued to make payments to the account, I thought Santander ought reasonably to have tried to contact her by other means.

Santander's records show it tried to call Miss F at least once. But this appeared to be after her call to Santander dropped in May. It appears Miss F in fact called Santander back but the call dropped again before the call could progress. But I hadn't seen anything to suggest that Santander tried to call Miss F after the arrangement ended, or before it registered the default. I was also mindful that Santander had previously contacted Miss F by text message – and the time it did contact Miss F by text message, she called later to clarify her next payment. For these reasons, I thought that if Santander had taken additional steps to contact Miss F, the default would have been avoided. Miss F had told us she's since cleared the balance. I therefore thought that the complaint should be upheld, and that Santander should arrange for the default to be removed from Miss F's credit file.

I said I'd consider any further comments I received by 23 December 2021.

Miss F told us she agreed with my provisional decision. Santander has confirmed that it has received our decision, but it hasn't sent me anything further to consider.

I've therefore reviewed the complaint afresh.

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.

Miss F has agreed with my provisional findings, and Santander has not sent me anything further to consider. I therefore reach the same conclusions for the same reasons.

Putting things right

Santander should remove the default recorded on Miss F's credit file

My final decision

For the reasons above, and in my provisional decision, I uphold Miss F's complaint. Santander UK Plc should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 2 March 2022.

Rebecca Hardman
Ombudsman