

## The complaint

Miss C complains that Santander Consumer (UK) plc, trading as Santander Consumer Finance, has recorded a default on her credit file.

## What happened

I issued a provisional decision on this complaint in January 2022 in which I described what had happened as follows:

*“Miss C entered into a conditional sale agreement with Santander Consumer Finance that she signed in January 2017 for a used car to be supplied to her. She made an advance payment of £954 and agreed to make 42 monthly payments of £161.62 and a final payment of £,3,037.63. She voluntarily terminated the agreement in April 2018 but there was a voluntary termination liability of £2,168.15 which she had to pay. She couldn’t afford to pay that amount so repaid it by instalments until it was settled in January 2019.*

*Miss C contacted Santander Consumer Finance because there was a marker on her credit file about a payment from May 2018 that she’d discovered when she was trying to port her mortgage. She says that she wasn’t able to port her mortgage because of the default recorded by Santander Consumer Finance but she sold her house so had to pay an early repayment charge of around £3,300 to be released from the mortgage.*

*She complained to Santander Consumer Finance about the default in January 2021. It said that the voluntary termination liability wasn’t paid in full so the default was correctly recorded and it was unable to amend the information on her credit file. It accepted that it didn’t meet its usual standard of service because of the delay in dealing with her request and if offered her £50 compensation. Miss C wasn’t satisfied with its response so complained to this service.*

*Our investigator recommended that her complaint should be upheld. She wasn’t satisfied that enough was done to warn Miss C of the default and agreed that it wasn’t fair that a default had been applied so Santander Consumer Finance agreed to remove the default from Miss C’s credit file. She didn’t think that it would be appropriate or reasonable for her to ask Santander Consumer Finance to refund the early repayment charge or pay for the storage costs that Miss C had incurred for storing her possessions. She thought that the default had denied Miss C the opportunity to make a full mortgage application which had caused her stress and inconvenience – and recommended that she should be awarded £500 compensation.*

*Miss C has asked for her complaint to be considered by an ombudsman. She says, in summary, that:*

- *the amount of compensation is an insult and she feels that the financial hardships that she’s suffered due to this mistake haven’t been understood;*

- *her decision in principle was declined due to the default on her credit score so she couldn't make a mortgage application;*
- *there's nothing on her credit file other than the default which would cause the decline;*
- *she was never in arrears with her payments to Santander Consumer Finance and paid the full amount within the time scale given;*
- *Santander Consumer Finance removed the default as it was falsely placed there, not because it forgot to warn her about it first;*
- *there were no factors other than the default that caused the decision in principle to be declined, and now that the default has been removed she's been accepted for a decision in principle for a mortgage on a property worth £205,000 - nothing else has changed on her credit file which clearly shows that it was the reason that it was declined; and*
- *she's struggled financially and with her mental health because of the mistake made by Santander Consumer Finance and the stress and uncertainty has been horrendous".*

I set out my provisional findings in my provisional decision and said that I agreed with the outcome reached by our investigator but for different reasons which are set out below:

- *"Miss C voluntarily terminated the conditional sale agreement early in April 2018 and there was a voluntary termination liability of £2,168.15;*
- *Santander Consumer Finance's contact notes say that she could make monthly repayments for the voluntary termination liability but she was advised that it would appear on her credit file so she said that she would look into paying it in full;*
- *she wasn't able to pay that amount in full and repaid it by monthly payments that ended in January 2019;*
- *Miss C has provided extracts from her credit files which show that her account was defaulted with £716 owing (and the date of the default is December 2017 with one credit reference agency and June 2018 with another);*
- *although Miss C was advised that not paying the liability in full would lead to information appearing on her credit file, I don't consider that Santander Consumer Finance did as much as it would reasonably be expected to do to properly explain to Miss C the consequences of information appearing on her credit file and I consider that it didn't follow the correct process for recording a default on her credit file;*
- *Santander Consumer Finance has now removed that default but Miss C has clearly been caused issues as a result of the default being on her credit file;*
- *she's described in detail the affect that it had on her request to port her mortgage to another property and that a decision in principle was made in December 2020 to decline her request because of her credit score and unsatisfactory credit information;*
- *although there are many factors that could cause a mortgage request to be declined, consider it to be more likely than not that Miss C's request was declined, at least in part, because of the default that Santander Consumer Finance had recorded on her credit file;*

- *she says that she accepted an offer for her house in December 2020 but she delayed exchanging contracts in the hope that the situation with her mortgage would have been resolved and that she exchanged contracts in July 2021 otherwise she would have lost the sale;*
- *she had to pay an early repayment charge of around £3,300 (the March 2021 redemption statement refers to an amount of £3,297) to be released from the mortgage – which she says that she wouldn't have incurred if she'd been able to port her mortgage;*
- *she's also incurred costs for storing her possessions since she sold her house;*
- *Miss C contacted Santander Consumer Finance in early November 2020 about the adverse information that was on her credit file – so she knew before then that there was an issue with her mortgage but she continued with the sale of her property and she paid the charge to be released from her mortgage;*
- *it was her choice to do those things and she could have chosen not to sell the property and not to end her mortgage which would have avoided the need to pay the charge and to pay to store her possessions;*
- *I understand that these wouldn't have been straightforward decisions and that there were likely to be many complicated factors leading to those decisions but she was aware of the early repayment charge and sold the property knowing that she would have to pay that charge;*
- *I consider that the decision that Miss C took led to the early repayment charge and storage costs being incurred and I'm not persuaded that it would be fair or reasonable in these circumstances for me to require Santander Consumer Finance to reimburse her for those costs;*
- *Miss C has described the affect that the default has caused her financially and with her mental health and she says that the stress and uncertainty has been horrendous – our investigator recommended that Santander Consumer Finance should pay her £500 to compensate her for the stress and inconvenience;*
- *Miss C says that £500 compensation is an insult but I consider £500 to be fair and reasonable compensation in these circumstances for the distress and inconvenience that Miss C has been caused and I'm not persuaded that a higher award of compensation is justified;*
- *Santander Consumer Finance has removed the default from Miss C's credit file and I find that it would be fair and reasonable for it to pay her £500 to compensate her for the distress and inconvenience that she's been caused; and*
- *I sympathise with Miss C for the issues that she's experienced but I find that it wouldn't be fair or reasonable for me to require Santander Consumer Finance to reimburse Miss C for the early repayment charge or the storage costs that she's incurred, to pay her any compensation other than the £500 referred to above, or to take any other action in response to her complaint".*

Subject to any further representations by Miss C or Santander Consumer Finance, my provisional decision was that I was minded to uphold this complaint in part. Miss C has responded to my provisional decision and says that:

- *she knew about the default on her account in November 2020 but went ahead with the sale of the property in December 2020 (but the sale wasn't completed until July 2021) but she had to sell it as she had no option due to a breakdown in her relationship as the mortgage was with her then partner and he no longer lived there so she needed to either buy him out or sell the house (she couldn't get the mortgage*

in her own name due to her poor credit score as a result of the default wrongly placed on her account);

- Santander Consumer Finance should have rectified the issue much sooner and removed the default before she had to contact this service but it denied responsibility and said that she owed it money and had missed payments;
- if it had been rectified in a reasonable length of time, she wouldn't have suffered hardship, distress and depression; and
- £500 is an insult and she asks that I reconsider the final outcome.

She made a data subject access request and said that she didn't want me to issue a decision until she'd received the information that she'd requested. There was a delay in that information being provided to her but she's now received it. She's provided a further detailed response in which she says, in summary and amongst other things, that:

- she sent three payments totalling £716 between July and September 2018 to pay to Santander Consumer Finance the amount that she owed it;
- Santander Consumer Finance then sold the car which covered the outstanding amount so she had no more payments to make;
- she wasn't given any dates on when the liability needed to be paid-off and no confirmation of the repayment plan that was agreed;
- she queried the default that it had recorded on her credit file and if it had been just a late payment marker she wouldn't have been forced into a serious financial struggle;
- she never received any arrears letters and her debt was repaid within three months;
- there's still no evidence to justify why Santander Consumer Finance placed the default on her account; and
- it wasn't her choice to sell the house and she was forced into this situation due to a breakdown in a relationship and she couldn't afford to keep the house so it had to be sold.

### **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, including carefully considering Miss C's response to my provisional decision and her further comments following receipt of the information provided to her in response to her data subject access request, I'm not persuaded that I should change my provisional decision.

A car had been supplied to Miss C under a conditional sale agreement with Santander Consumer Finance that she signed in January 2017. She voluntarily terminated that agreement in April 2018 and the voluntary termination notice that was sent to her shows that there was a voluntary termination liability of £2,168.15. Miss C wasn't able to pay that amount so Santander Consumer Finance was required to record that on her credit file as it's required to record true and accurate information about her payment history to the credit reference agencies.

It agreed that she could pay the outstanding amount by instalments – and she paid a total of £716 to it and the car was then sold which settled the outstanding amount that she owed to Santander Consumer Finance – but that didn't change the adverse information that

Santander Consumer Finance would be required to report on Miss C's credit file about her being unable to pay the voluntary termination liability in April 2018. It wasn't missed or late payments that Santander Consumer Finance was recording on her credit file, but it should have been recording that she hadn't paid the voluntary termination liability when it became due.

Although Miss C was advised that not paying the liability in full would lead to information appearing on her credit file, I don't consider that Santander Consumer Finance did as much as it would reasonably be expected to do to properly explain to Miss C the consequences of information appearing on her credit file and I consider that it didn't follow the correct process for recording a default on her credit file.

I also consider that the explanations that Santander Consumer Finance has provided to Miss C for recording adverse information on her credit file haven't been as clear or as helpful as it would have been reasonable for her to expect it to be. I consider that that will have caused her distress and inconvenience.

Santander Consumer Finance has now removed the default from Miss C's credit file but I consider that it would have been fair and reasonable for it to have recorded adverse information on her credit file in May 2018. I consider it to be likely that that adverse information would have affected her mortgage application.

I sympathise with Miss C for the personal difficulties that she's experienced and understand her reasons for selling the house, but when she did so she knew that she'd have to pay the early repayment charge. For these reasons, and the reasons set out in my provisional decision, I find that it wouldn't be fair or reasonable in these circumstances for me to require Santander Consumer Finance to reimburse Miss C for the early repayment charge or the storage costs that she's incurred. I find that it would be fair and reasonable for it to pay her £500 to compensate her for the distress and inconvenience that she's been caused. I'm not persuaded that a higher award of compensation is justified in these circumstances.

### **Putting things right**

I find that it would be fair and reasonable in these circumstances for Santander Consumer Finance to pay £500 to Miss C to compensate her for the distress and inconvenience that she's been caused.

### **My final decision**

My decision is that I uphold Miss C's complaint in part and I order Santander Consumer (UK) plc, trading as Santander Consumer Finance, to pay her £500 to compensate her for the distress and inconvenience that she's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 25 August 2022.

Jarrold Hastings  
**Ombudsman**