

The complaint

Mrs H complains that Santander UK Plc ("Santander") continued to contact and harass her for repayments to her personal loan despite a debt management plan having been agreed.

What happened

Mrs H applied to Santander for a personal loan of £3,000 in July 2019. Santander assessed and agreed to provide the loan with monthly repayments of £108.89 over three years.

In early 2021, Mrs H found herself unable to sustainably maintain the agreed loan repayments due to a change in her financial circumstances. So, in early March 2021, she called Santander. She explained that she was seeking help and support from a debt advisory service. Santander agreed to cancel her loan repayment direct debit and await details of a payment offer from her debt advisor.

Mrs H continued to contact Santander between March and May 2021 in an attempt to agree a reduced payment plan. But, despite her attempts, she continued to receive communications from them relating to the arrears on her loan. Mrs H found this very stressful and worrying given she was doing her best to keep them informed of her situation.

In April 2021, Santander confirmed to Mrs H they'd received her payment offer from her debt advisor. But this hadn't included a letter of authority from her. They'd responded to the debt advisor requesting this. Mrs H continued to receive letters and communications from Santander about the arrears on her loan.

Mrs H contacted them again at the end of April 2021 to complain. She told them she was unhappy with them continually contacting her and said her advisor was still awaiting Santander's confirmation that a payment plan had been agreed.

Santander responded to Mrs H's complaint in early May 2021. They said they had an obligation to ensure she maintained her loan repayments as failure to do so could affect her credit file. They also said they were obliged to ensure that didn't happen and to offer assistance where appropriate. They confirmed Mrs H's loan was on hold while they reviewed the offer received from her debt advisor.

Santander wrote to Mrs H again in May 2021 to confirm they'd received payment proposals from her debt advisor to pay £61 each month under a debt management plan.

Unhappy with Santander's original response to her complaint, Mrs H contacted them again. Santander looked at Mrs H's complaint further and wrote to her on 10 June 2021. They agreed that Mrs H's complaint hadn't been considered fully. They said that Mrs H should've been told in March 2021 that they required a letter of authority, signed by her, from her debt advisor. This is what had caused the delays. Further, they thought a complaint should have been raised sooner in April as a result of Mrs H's calls to them.

Santander placed Mrs H's loan on hold for 30 days to allow time for an arrangement to be set up. To apologise for their mistakes, Santander credited £100 to Mrs H's bank account. But Mrs H continued to receive letters, texts, emails and calls about the arrears on her loan. She found this increasingly stressful and worrying. So, she decided to refer her complaint to this service.

While our investigator considered Mrs H's complaint, Santander contacted this service and said that following agreement of the payment plan proposed by her debt advisor, her account had been incorrectly categorised within their systems. This led to the continued contact she experienced. Santander confirmed this shouldn't have happened and apologised for the distress this had caused. They offered further compensation of £200.

Having considered all the circumstances here, our investigator thought Santander's further offer appeared fair and reasonable. But Mrs H didn't agree. She thought Santander's offer didn't reflect the level of stress and worry they'd caused her.

As an agreement couldn't be reached, Mrs H's complaint has been passed to me to consider.

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.

At the outset, it seems to me that Mrs H has, at all times, tried to maintain an ongoing dialogue with Santander in an attempt to reach a satisfactory conclusion and agreement. She sought advice and support from a recognised debt advisory service, which I think was the right thing for her to do. So, it's unfortunate that it appears various mistakes and errors by Santander have resulted in more stress and worry for Mrs H than was necessary.

At the outset, it appears Santander failed to inform Mrs H that she would need to provide her debt advisor with a letter of authority before they could act on her behalf. But, as this is normal practice, I would also have expected her debt advisor to be aware of that requirement. This appears to be the main reason why there were delays in accepting the debt management plan proposed. And unfortunately, it appears Mrs H bore the brunt of this.

Santander are right to say that when contractual loan repayments are not being maintained, they have a regulatory obligation to ensure that Mrs H is fully aware of the potential consequences, including the impact that might have on her credit file. Equally, I think Santander were made aware of her circumstances, and her intentions to seek support from a debt advisory service in a timely manner.

Santander ultimately paid compensation to Mrs H to reflect the concern this caused her. And that amount feels fair to me here. But unfortunately, it appears Santander made further mistakes. Having considered Mrs H's complaint again in June 2021, they placed a 30 day hold on her account. But this was after the debt management plan payments of £61 had been agreed. This had the effect of recategorising Mrs H's loan account in their internal systems. As a result, once the 30-day hold was lifted, Mrs H's loan was handled under Santander's normal collections process rather than where a debt management plan had been agreed through a debt advisor. Ultimately, this is what led to the subsequent repeated contacts and communications from them.

Santander have admitted they got this wrong. They've offered their sincere apologies to Mrs H for their mistake here. And in recognition of the further distress and inconvenience this caused, they've offered to pay additional compensation to Mrs H of £200.

Compensation is a personal thing. What is seen as reasonable by one party may not be considered so by another. Mrs H did experience some inconvenience and distress. And I'm aware that Mrs H was also experiencing other personal and health challenges at the time. But, I can only consider the affect of Santander's own actions. They wouldn't have had any control over other challenges Mrs H may have been facing. I think the amount offered feels fair in all the circumstances here. I appreciate that Mrs H doesn't agree. But it isn't the role of this service to make awards in order to penalise Santander for their mistakes. Any award is considered based upon the impact Santander's mistake had upon her. And I think their offer does that here.

Santander have since placed Mrs H's loan in default and recorded this on her credit file. While they accepted the offer of payments under a debt management plan, this doesn't constitute a formal variation of the original loan agreement. It's merely an acceptance of what Mrs H can realistically and sustainably afford to pay. But this does mean that Mrs H wasn't meeting her contractual payment obligations. I would expect her debt advisor to have made her aware of this.

The Information Commissioner's Office (ICO) issue guidance and principles for the reporting of arrears, arrangements and defaults (PRAAD) at credit reference agencies. It says that as a general guide, *"a default may be recorded when you are three months in arrears, and normally by the time you are six months in arrears"*. Santander's actions appear to comply with these guidelines as Mrs H was accumulating arrears by not making her contractual repayments in full. So, I can't reasonably say that they've done anything wrong here.

Mrs H's loan has since been cancelled and any further interest costs frozen. Santander have passed the collection of the remaining debt to an agency. They are entitled to do that, and I would recommend Mrs H liaise with the debt collection agency to agree a repayment plan going forward, if she hasn't already done so. Santander have confirmed they see no reason why the debt collection agency wouldn't agree to maintain the previously proposed arrangement of £61 a month.

Mrs H has subsequently raised concerns about a problem she experienced with maintaining the agreed payments of £61 when she transferred her Santander current account to another bank. But as this doesn't form part of the original complaint to Santander that was referred to this service, I'm unable to consider this further. If Mrs H wishes to pursue this, she will need to formally raise this as a separate complaint with Santander first, so they are given the opportunity to investigate and respond.

I shall reflect Santander's offer to pay a further £200 in my final decision. Should Mrs H choose to accept this, Santander have agreed that this can either be paid direct to her or used in reduction of her outstanding debt, as she prefers.

My final decision

For the reasons set out above, I uphold Mrs H's complaint.

I require Santander UK Plc to pay compensation of £200 to Mrs H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 27 July 2022.

Dave Morgan
Ombudsman