

The complaint

Mr K is unhappy that Santander UK Plc declined his mortgage application then recorded a marker against him on a fraud prevention database.

What happened

Mr K made an online application with Santander on 1 March 2019 for a mortgage to purchase a property. Santander issued a mortgage offer dated 12 March 2019 but then withdrew the offer the following day.

Mr K said he tried to obtain a mortgage with three other lenders after Santander declined his application, but all applications were declined. Mr K said he only found out in January 2021 that Santander had applied a fraud marker against him and believes this is the reason why he was unable to obtain a mortgage from any other lender. Mr K said as a result of this, he suffered financial loss because he lost the deposit for the property of £47,250 along with £2,700 for associated costs. He would like this refunded along with £30,000 compensation for the stress and anxiety that this has put him through.

Mr K complained to Santander in January 2021 and Santander explained to Mr K that they had issues verifying his income in March 2019. So, Santander declined the mortgage application and applied a fraud marker. Santander did explain to Mr K that if he provided specific income evidence again, they would consider it. Santander did this and then arranged for the fraud marker on the CIFAS fraud prevention database to be removed. However, they maintained an 'inconsistency marker' with both SIRA and National Hunter which are fraud detection and prevention databases.

Mr K disagreed with Santander and argues that he had the fraud marker against his name for two years without knowing about it and that it was falsely applied. So he brought the complaint to our service where it was looked at by one of our investigators.

Our investigator didn't think we could consider the complaint about the mortgage application because Santander had issued a final response letter about this on 21 March 2019, but Mr K didn't contact our service about this until March 2021. So he thought this was brought outside the six-month time limit.

Regarding the fraud markers, our investigator acknowledged that the CIFAS marker had been removed but he thought that the SIRA and National Hunter markers should also be removed. He also thought that Santander should pay Mr K £250 for the trouble and upset he was caused as our investigator thought Santander could have done more checks at the time the application was made.

Santander agreed and confirmed they have now also removed the inconsistency markers on the SIRA and National Hunter databases and agreed to pay Mr K £250 for the trouble and upset he was caused.

Mr K didn't agree with our investigator. He said he is still suffering from Santander's actions. He said that he has been promised on many occasions that anything Santander hold against him has been removed including on all public forums.

Mr K said this is still impacting his daily life and does not accept the £250 compensation but would accept £20,000 as compensation instead from Santander.

As Mr K disagreed, he asked for the complaint to be reviewed by an ombudsman, so it has been passed 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.

Our investigator has already explained that we will not be able to look into the issues raised with regards to the mortgage application so this decision will solely focus on the fraud markers that Santander have applied against Mr K.

CIFAS

Santander declined Mr K's mortgage application and they also recorded a marker about him with CIFAS, for application fraud. They had concerns about Mr K's income which they said they were unable to verify.

Lenders should only record information on fraud databases where they have reasonable grounds to do so. I've looked at what Santander have done in Mr K's case, to decide if they acted fairly.

Santander had to assess Mr K's income in order to approve the application he made in 2019. Santander said they had concerns because the P60s they had obtained from Mr K showed a different salary from what Mr K said he was earning. Mr K said his salary was £75,000. The P60 from 2016/2017 showed Mr K earned £11,346.65 for that tax year. The 2017/2018 P60 showed that Mr K earned £25,766.66 so I understand why Santander had some concerns.

Santander said they also looked at Mr K's bank statements and some of the monthly income differed to the income evidence they were given. But Mr K told Santander he received a pay increase in September 2018 and having looked at Mr K's payslip from January 2019, I can see that the monthly income is more in line with the £75,000 salary that Mr K said he earned.

Lenders carry out income checks to ensure that information they are given is correct and accurate. And when Santander did this, they were not able to verify the income that Mr K said he earned. So because of the concerns they had, they applied the fraud markers on the fraud prevention databases.

Mr K contacted Santander in January 2021 after discovering the CIFAS marker and Santander have since looked at the new evidence that Mr K provided and they are now satisfied he didn't mislead or provide false information when he applied for a mortgage in 2019 – so they have removed the CIFAS marker. And since our investigator's involvement, they have also removed the SIRA and National Hunter fraud markers showing against Mr K.

Santander have now been able to verify Mr K's income, so they have removed these markers. But I think that Santander should have been able to do this much earlier than they did, and I believe it should have been obvious that income on the P60 might not reflect the actual income that Mr K was earning because Mr K told them he had recently had an increase in his salary. I would have expected Santander to ask more questions rather than just applying the markers against Mr K.

I understand that Mr K is unhappy that Santander didn't inform him that the fraud markers were applied against his name. Lenders do not have to notify borrowers if markers have been applied against them. There is no requirement for them to do so. And I do note that Mr K said he wasn't able to obtain a mortgage from other lenders because of the marker applied against his name. Lenders who use CIFAS shouldn't automatically decline an application just because of a marker – that is set out in CIFAS's guidance to its members. I therefore can't hold Santander responsible for this.

I understand that the markers caused Mr K a considerable amount of stress and upset as he said this has impacted him a great deal. As I've already mentioned above, other lenders shouldn't automatically decline applications because of the fraud markers that were held against him, but I do think that Santander should have done more to understand Mr K's situation at the time the application was made. I do think that the £250 Santander have offered to compensate Mr K is fair and reasonable in the circumstances of this complaint.

While I acknowledge that Mr K would like Santander to pay him £20,000 in compensation, I don't agree this is reasonable. While I accept Santander could have done things better, I think the amount they offered is fair. Santander had reason to doubt Mr K when he made a mortgage application and I do agree they could have dealt with things better, but I think the £250 is a fair and reasonable offer in this situation. I can't look at the deposit that Mr K said he lost when he made the mortgage application as this part of the complaint is time-barred. So the award of £250 is an award for the impact of the markers being applied wrongly.

My final decision

For the reasons given above, I uphold this complaint and direct Santander UK Plc to pay Mr K £250 for the trouble and upset he has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 May 2022.

Maria Drury
Ombudsman