

## **The complaint**

Ms K complains that her mortgage lender Santander UK Plc unfairly recorded a payment holiday on her credit file despite previous assurances that this wouldn't be the case. Ms K says she wouldn't have taken the payment holiday if she'd realised the adverse impact this would have on her credit score.

Ms K also complains that Santander hasn't given her adequate financial support since she lost her job and became seriously unwell in 2020. Ms K says Santander's actions have both caused her financial loss and severely impacted her state of health. Ms K has said what she wants Santander to do to put things right, including considering writing off the balance of her mortgage.

## **What happened**

Ms K has a capital repayment mortgage with Santander. The outstanding mortgage balance is currently around £38,000.

In March 2020 Ms K asked Santander for a six month payment deferral under the special arrangements to support mortgage customers who were impacted by the covid-19 pandemic. This covered Ms K's mortgage repayments from April to September 2020.

In July 2020 Ms K lost her job. Soon after she was diagnosed with a serious health condition.

In October 2020 Ms K asked Santander for further help as she was struggling to make her mortgage repayments. Ms K says Santander initially said there was nothing it could do to help her. But, having complained, Ms K was then contacted and offered a three-month payment plan where Santander agreed she didn't need to make any mortgage repayment for three months. Ms K says she asked at the time if there would be an impact on her credit file. She was told that there wouldn't be.

In April 2021 Ms K says she noticed her credit score was being affected by the arrangement. Ms K complained that she had been given conflicting information about whether her payment arrangement would be recorded on her credit file. Ms K was also upset by how Santander had handled the matter when she queried what she'd been told.

In early April 2021 Santander issued a final response letter to Ms K's complaint. It confirmed Ms K's payment arrangement was still in place and that no payment would be due until 28 April 2021. The letter also said that the arrangement would be reported on Ms K's credit file and apologised that Santander had not made this clear enough before. Santander credited Ms K's account with £50 and said she should contact the credit reference agency directly and ask them to put a note on her file which explains the reason behind the payment arrangement.

Ms K was unhappy with this reply and escalated the matter. In August 2021 Ms K received a further final response letter. Santander apologised for any upset caused by its handling of Ms K's mortgage and her subsequent complaint. Santander found that Ms K hadn't been

advised of the specific consequences of agreeing to a payment arrangement in December 2020 and said it would clear all adverse data from Ms K's credit file due to this arrangement for the period from December 2020 to July 2021.

In addition, Santander offered Ms K £500 of compensation for the upset caused by its actions. Santander also explained that Ms K's interest rate product of 2.19% was soon to expire in October 2021 and it set out what alternate rates would be available going forward to prevent Ms K's mortgage repayments going up once the mortgage reverted to its follow on rate.

Ms K didn't accept that offer. On 12 August 2021 Ms K brought her complaint to us.

Since then, Santander has issued a further final response to Ms K on 21 September 2021. This letter gave a detailed response to eleven points that Ms K had raised about the way a particular member of staff had acted and occasions when she felt its service had fallen short. Santander upheld Ms K's complaint and increased its offer of compensation to her.

In September 2021 Santander offered:

- a further £1,000 of compensation to Ms K; taking total compensation to £1,500 for the upset caused by its poor customer service on a number of occasions since Ms K requested help following the end of the initial six-month covid payment deferral;
- confirmed that adverse data on Ms K's credit file has been cleared from December 2020 to July 2021;
- agreed to clear Ms K's credit card balance, and the fees and interest that had accrued, which included the amount Ms K had used to repay her mortgage arrears in July 2021.

Santander also sent Ms K a letter on 30 September 2021 following discussions she had had with a financial care specialist to explore her wider financial situation and how it could support Ms K in her financial difficulties. Santander set out three options to try to help Ms K decide what steps to take going forward with her mortgage.

Our investigator looked into what had happened. She thought that Santander's offer was fair and reasonable to put things right. Ms K disagreed and asked that an ombudsman reach a final decision on the matter.

### **My provisional decision**

I issued a provisional decision dated 13 July 2022 in which I set out my initial thoughts about this complaint. In summary, I considered that Santander's final response, dated 21 September 2021, in which it upheld Ms K's complaint, had given a detailed assessment of the shortcomings in the service it had provided. I was pleased to see that Santander had apologised for its poor service and recognised where it had fallen short on a number of separate occasions.

I gave detailed reasons as to why I thought Santander had now made a comprehensive offer of redress to try and put things right. And I agreed with our investigator, that its latest offer was fair and reasonable to resolve the complaint.

I didn't think any further payments were required to settle the associated fees and charges on Ms K's credit card. Santander had said it had refunded all amounts due in relation to this- either writing off the balance of the card or by way of a separate refund to Ms K's current account on 1 October 2021.

I explained why I didn't think it was reasonable to direct Santander to reinstate the credit card and overdraft that Santander had withdrawn. I said that, while I appreciated the arguments put forward by Ms K, my provisional decision was that Santander was able to cancel these facilities as shown in the terms and conditions of the credit card and overdraft shared with us.

I also considered that Santander had acted fairly and reasonably cancelling these facilities when it did. I'm persuaded that it did this acting upon information shared by Ms K about her financial position. I also don't think the only reason that Santander reviewed Ms K's income and expenditure was because of the complaint. I was persuaded that Santander was acting upon Ms K's request for support and help in her financial difficulties. I thought it reasonable that when it became apparent to Santander that Ms K had a significant income deficit each month, according to the information that she had given it about her position, it had a duty to take this information into account and to lend responsibly.

I said I was encouraged to hear that Ms K's financial position seemed to have improved since she last completed an income and expenditure assessment with Santander. And I thought that this should bring her more financial flexibility with other lenders. I said it may be that Santander will now reconsider, due to her improved financial position, whether it will make a credit card and overdraft facility available to Ms K. But that I would leave that for Santander and Ms K to discuss between them.

Santander accepted my provisional decision.

Ms K replied to my provisional decision to say, in summary:

- Santander gave her support through the covid pandemic. It was once she became unwell that Ms K says she struggled to get ongoing support from her lender;
- Santander didn't advise her to use her credit card to repay her mortgage arrears. In fact, Santander told Ms K it wouldn't accept a credit card payment towards the mortgage. Ms K says she took it upon herself to choose the 'lesser of two evils';
- Ms K doesn't think Santander has reimbursed her with all the fees, interest and the balance that had built up on Ms K's credit card over the entire period;
- Ms K referred her complaint to us to try to change the way Santander communicates with vulnerable customers. And she would like some enforcement action to be taken to enable every vulnerable Santander customer to be properly advised in writing about their payment arrangements and to be told to take advice from another party to make sure they know what they're getting into.

### **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've thought carefully about the detailed additional comments made by Ms K in response to my provisional decision. I can see why Ms K feels strongly about her own recent experience and the impact the issues with her mortgage lender have had on her at an already difficult time. I understand why Ms K looks to us to try to change Santander's processes going forward.

I should point out that our role is distinct from that of the regulator, the Financial Conduct Authority. I appreciate Ms K thinks change is needed by her lender in its treatment of vulnerable customers. She asks that the ombudsman should enforce such changes to Santander's working practices. This isn't something that we are able to make Santander do.

We look at individual complaints brought to us and we seek to resolve those disputes between financial businesses and their customers informally. It's not for me to tell Santander how to run its mortgage operations, or to make sure that it's running its mortgage operations in line with regulation. However, I should say that I have taken mortgage regulation into account when deciding what's fair and reasonable in the specific circumstances of this complaint.

Having thought carefully about everything Ms K has added, I'm not persuaded to depart from my earlier provisional findings. In summary, Santander has accepted its shortcomings in customer service. It has now investigated this matter thoroughly, responded fully to Ms K's concerns and accepted responsibility for its failings.

I've set out in detail why I consider the redress proposed to be reasonable to put things right in my provisional decision. I remain of the opinion that the offer now made by Santander, following this complaint having been brought to our service, is fair to put things right.

Ms K has made various arguments as to why she considers the compensation should be higher. I don't consider any further reimbursement of credit card interest is required by Santander at this point to settle this complaint. Ms K has calculated that there are some costs on her credit card which haven't been reimbursed by Santander. I'm conscious Ms K has pointed out that Santander didn't tell her to use a credit card transfer to repay her mortgage arrears. She chose to take that course of action as 'the lesser of two evils' as she wanted to protect her credit file.

There are financial consequences of the steps Ms K chose. Santander has offered to reimburse the significant majority of those costs. However, a relatively small amount remains disputed by Ms K. I think the offer Santander has made to be reasonable to resolve this part of the complaint. I say this having taken it into account that it was Ms K's decision to use another credit card to repay her mortgage arrears.

Ms K has also replied to say she hasn't *asked* for Santander to write off the remaining balance of her mortgage. She merely wanted it to *consider* this. Santander has considered how to put things right in this complaint and having done so, it has chosen not to offer to write off the mortgage balance to resolve this complaint.

As I explained in my provisional decision, where there's been a mistake or wrongdoing by a financial business, our service looks to put consumers back in the position they would have been in *but for* the mistake. Ms K doesn't have a mortgage balance today because of the events of this complaint. There is no alleged mis-sale or irresponsible lending. So, I don't consider it would be reasonable for me to ask Santander to write off the mortgage to settle this dispute.

I hope that Ms K is now able to put this matter behind her.

### **Putting things right**

Santander UK Plc has made the following offer to settle this complaint. This offer was made after this complaint was referred to our service. Santander has now agreed to:

- pay Ms K total compensation of £1,500 for the upset caused by its poor customer service;
- clear Ms K's credit card balance;

- ensure that all adverse data recorded by Santander is removed from Ms K's credit file from December 2020 to July 2021, and provide Ms K with a letter that she can show her creditors which confirms the situation.

My final decision is that this offer is fair to settle this complaint. I make no further award.

### **My final decision**

My final decision is that this complaint against Santander UK Plc should be upheld.

Santander UK Plc has made an offer to settle this complaint while this complaint has been investigated by us. I consider this offer is fair in all the circumstances. If Santander has not yet made all parts of its offer available to Ms K, it should do so now.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 1 September 2022.

Emma Peters  
**Ombudsman**