

The complaint

Mr U complains that Santander UK Plc recorded a late payment on his credit file despite him ensuring funds were available to cover his credit card payment.

What happened

Mr U has a Credit Card account and a Basic Current Account (“BCA”) with Santander.

The terms of his credit card account require him to make at least the minimum payment on or around the sixth day of each month. Mr U had elected to have the monthly payment paid by direct debit from his Santander BCA.

A payment was scheduled to be paid by direct debit on 6 May 2022. Mr U says he received an SMS text message from Santander on 6 May 2022 advising that his BCA would exceed its limit. It said, “*we may retry some of your payments so please pay enough money in by 2pm*”.

Mr U called Santander around 12:35 pm on 6 May to clarify the amount that was due. Shortly after, he says he arranged to make a faster payment from his account with another bank, sufficient to cover what was due. He then checked his Santander BCA to confirm the money had been received.

Mr U later discovered that Santander had applied a late payment charge to his credit card account on 23 May 2022. He didn’t think that was right as he’d transferred the money to cover his direct debit payment, so didn’t believe he’d missed a payment. He called Santander to complain. Santander agreed to refund the late payment charge as he hadn’t missed any previous payments.

On 4 June 2022, Mr U called Santander again. He wasn’t happy as he’d discovered they’d reported a late payment on his credit file with the credit reference agencies. He didn’t think that was right given he’d transferred funds to cover the direct debit on the due date. Santander acknowledged there was enough money in his account to make the payment and sent details of their findings to Santander’s Credit Data Team.

Santander wrote to Mr U on 1 July 2022. They accepted Mr U had transferred funds, but this was after his direct debit payment had been requested. Because of that, the payment to his credit card account hadn’t been completed resulting in a missed payment. Santander weren’t able to remove the missed payment from Mr U’s credit file. But they agreed to compensate him with a payment of £50 as a gesture of goodwill.

Mr U wasn’t happy with Santander’s response to his complaint. He thought he’d transferred enough to cover the direct debit in plenty of time. He thought Santander should remove the late payment marker from his credit file. He decided to refer his complaint to this service.

Having considered all the evidence and information available, our investigator didn’t think Santander had made a mistake or needed to do anything more. Mr U didn’t agree with our investigator’s findings. He thought Santander’s system was set up to take the money once it was in his account within the timeframe they’d specified in their SMS text to him. And as he’d transferred those funds, he thought Santander had made a mistake.

As an agreement couldn’t be reached, Mr U’s complaint has been passed to me to consider further.

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.

Mr U had arrangements in place to ensure his credit card payment was made on the due date each month by direct debit. A direct debit is an instruction to a bank authorising an organisation to collect payments from a bank account. But only where advance notice has been given of the amount and date of collection. Once agreed, the money is deducted automatically.

Santander sent Mr U a statement of his credit card account on or around 12 April 2022. It said the payment due date was 6 May 2022. And as he had a direct debit instruction in place, this meant the amount he'd agreed to pay would be claimed from his bank account on that day. So, it was important that he had the funds available to cover that payment prior to it being claimed.

Because direct debits are processed through an automated process, a bank must decide whether they can pay it when it's presented. Mr U didn't have enough money in his Santander BCA and this type of account doesn't allow overdrafts. So, the direct debit claim wasn't paid.

Santander sent an automated SMS text message to Mr U. It said, *"We may retry some of your payments so please pay enough money in by 2pm"*. Mr U's interpretation of this was that as long as he transferred covering funds into the account by 2pm, the direct debit payment would complete. But that wasn't the case here. Once returned, it wasn't possible for the direct debit to be reprocessed.

I can understand why Mr U may have interpreted Santander's SMS text message the way he did. But I don't think he could safely assume the direct debit would have subsequently been paid. I think Santander's message was sufficiently clear this might not happen. Ultimately, the only way to ensure a direct debit is paid when it's claimed is to make sure funds are available the day before any claim. Unfortunately, Mr U didn't do that here, despite his credit card statement telling him when the payment was due.

Santander did accept Mr U had transferred covering funds later that day. And to recognise that, they paid him £50 as a gesture of goodwill. I believe that was a fair gesture to make. But it's also fair to say Mr U's direct debit payment to his credit card wasn't completed. While I understand Mr U's frustration, I can't reasonably hold Santander responsible for that. The funds weren't available at the time the direct debit was requested. And this wasn't due to anything Santander did.

Santander have a responsibility to report accurate information to the credit reference agencies. Mr U's direct debit payment wasn't completed because the funds weren't available at the time it was claimed. And as I can't see he subsequently made the payment to his credit card account himself; I can't reasonably say the information reported by Santander was inaccurate.

I realise Mr U will be disappointed, but I haven't seen anything that persuades me that Santander did anything wrong or made a mistake here. So, I won't be asking them to do anything more.

My final decision

For the reasons set out above, I don't uphold Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 10 January 2023.

Dave Morgan
Ombudsman