

The complaint

Miss S is unhappy that Santander UK Plc made mistakes when reporting to credit reference agencies (CRAs) about her mortgage. She considers this has led to her being unable to re-mortgage with other lenders and caused her significant financial loss.

What happened

Miss S holds a mortgage with Santander, which began in 2013. In early 2020, she encountered some financial difficulties relating to the Covid pandemic, unexpectedly losing her income. She successfully applied to Santander for two three month payment holidays covering the period June to November 2020. After this point, Santander agreed a zero repayment arrangement for November 2020, December 2020 and January 2021 and during this time the account accrued arrears.

Miss S' mortgage had three sub accounts, all subject to fixed rates. The fixed rate on one of the accounts was due to end in February 2021 and the fixed rates on the other parts were due to end in May 2021.

Miss S started a new job in March 2020, although she didn't receive her first pay until the following month. Between February and May 2020 Miss S made a number of payments towards the mortgage that were less than the contractual monthly payment.

In February 2021, Miss S had contacted another lender (who I'll call 'L') about a potential re-mortgage on a five year fixed rate deal. A representative of L told Miss S they were confident the re-mortgage would go through. However, not long after, L told Miss S that it couldn't offer her the mortgage due to a drop in her credit rating.

Miss S says she then waited a couple of months for her credit score to improve due to payments she had been making towards the mortgage, by which time the whole of her mortgage had moved to Santander's follow on rate.

In June 2021 Miss S contacted Santander to discuss the situation. She raised concerns that it had been misreporting to CRAs. This included in relation to an issue in February 2021 where she had agreed with Santander that it would collect the full monthly payment by direct debit, which didn't happen. She had noticed this and rung a few days later to make a manual payment for less than the contractual monthly payment.

Santander upheld the complaint. In summary, it said that it had correctly reported that the account was in arrears, but that it hadn't also reported that there had been an arrangement in place. It undertook to amend the CRA reporting accordingly and said that it would monitor the situation for a few months to make sure the reporting continued to be correct into the future.

In September 2021, Miss S referred her concerns to the Financial Ombudsman Service. In summary, she said that Santander's error had stopped her from being able to move her mortgage onto a lower rate elsewhere. The proposed re-mortgage with L that she had initiated in February 2021 had included consolidation of her unsecured debts. As this re-

mortgage couldn't happen, Miss S had needed to continue to pay towards these debts as well as try to get back on track with her mortgage.

In early 2022, Santander agreed to capitalise the arrears i.e. the arrears that remained outstanding were added to the balance of the mortgage. The mortgage moved on to a one year fixed rate deal.

In June 2022, an investigator reached a view on the case. In summary they said Miss S' credit file might have been affected by a number of factors, but that Santander should pay Miss S £150 to reflect the distress and inconvenience caused by the incorrect CRA reporting prior to July 2021.

Miss S disagreed. In summary she said that there had continued to be CRA reporting issues later in 2021, due to some kind of systems issue that Santander had. And that the £150 was insufficient given the substantial losses its errors had caused. Miss S said that L had told her that the re-mortgage with them would have gone ahead but for the reporting issue. Miss S provided a calculation showing what she considered her losses to be, by reference to what she had ended up needing to pay and what she would have paid if the re-mortgage with L had gone ahead.

Miss S also said she had contacted Santander in July 2022 about moving onto a better rate but had been told that the rate she was on was the best it could offer her. She said that she had contacted other lenders, all of whom told her that she wouldn't be able to re-mortgage elsewhere until enough time had passed from when she had arrears.

The investigator issued another view. In summary, they thought the original outcome they'd reached was correct and that the compensation they'd suggested was in line with the Financial Ombudsman Service's approach to compensation payments.

Miss S continued to disagree and asked for the matter to be escalated to an Ombudsman. She made further representations about the nature of the reporting issues and errors and how this had caused and continued to cause her financial loss.

The case was passed to me to decide. I carried out some further investigation. I asked L for its comments on the correspondence its mortgage adviser had sent to Miss S in 2021, indicating that the re-mortgage on a five year fixed rate would have gone ahead, but for Santander not reporting that Miss S had been in an arrangement after the payment holiday had ended.

I also asked it to clarify whether Miss S had submitted a full application.

L responded to say that it was likely the arrears themselves and not the lack of 'arrangement' reporting, that had affected its view of Miss S's creditworthiness. L also clarified that Miss S hadn't submitted a full application and that its records indicated that Miss S had declared that she didn't have any adverse credit history, including arrears.

Separately, I asked Santander why it didn't offer Miss S more mortgage rate options shortly after she capitalised the arrears and then again when she asked for alternatives part way through the term of that mortgage. Santander provided me with information to show that what it had offered Miss S at both points in time was consistent with its risk classification of her, in the context of the mortgage history.

I issued a Provisional Decision (PD) in December 2022. In it, I said:

"There are three fundamental issues to consider here:

- *Can Santander's CRA reporting errors reasonably be said to have caused the losses that Miss S claims they have?*
- *What level of compensation is appropriate given the impact of the errors that did happen?*
- *Has Santander otherwise treated Miss S fairly?*

Can Santander's CRA reporting errors reasonably be said to have caused the losses claimed by Miss S?

In the course of bringing her complaint, Miss S shared with us a copy of correspondence received from a mortgage adviser at the lender she approached about a re-mortgage in February 2021. The correspondence states that were it not for Santander's mis-reporting of Miss S having not been in an 'arrangement' alongside the arrears, the re-mortgage would have gone ahead. I can understand why, based on this, Miss S has argued that Santander's CRA reporting errors caused her a significant financial loss.

However, the lender has since clarified that it was likely to have been the arrears themselves and not the 'arrangement' reporting, that led to Miss S's perceived creditworthiness dropping in the way it did. It has also said that Miss S never submitted a full application and that when she made her enquiry, she declared that she didn't have any arrears.

Bearing this in mind, I cannot reasonably conclude that Santander's error in reporting before July 2021 is likely to have caused Miss S to lose out on that particular mortgage. It seems likely that it was the existence of the arrears themselves and not the 'arrangement' reporting that was the key issue preventing it from moving forwards.

It also seems likely that the existence of the arrears has been the main issue preventing Miss S from re-mortgaging elsewhere in the meantime.

I appreciate that Miss S would've had much lower mortgage repayment costs if she had been able to take out the 5 year fixed rate deal with the other lender. However, bearing in mind what I've said above, I cannot reasonably conclude that Santander's CRA mis-reporting caused her to lose out on it.

What level of compensation is appropriate?

Although the CRA mis-reporting didn't have the impact Miss S thought it did, it nevertheless caused her unnecessary worry and upset. Not least in the sense that she would reasonably have been worried about the possible impact the misreporting had and might have on her in the future.

Miss S has shown that the misreporting wasn't a one-off. For reasons unknown, there was an error in the reporting in August 2021, after Santander had said it would put things right. This again caused unnecessary worry, upset and inconvenience.

Taking everything into account, I'm currently inclined to say that £350 would be an appropriate figure of compensation to reflect the impact of Santander's errors.

Has Santander otherwise treated Miss S fairly?

I appreciate that Miss S has felt somewhat stuck with Santander, after getting into arrears.

I've thought about whether Santander has treated her fairly, in terms of when it agreed to capitalise the mortgage arrears and the rates/options it has offered her at different times.

On balance, I find that it has. Santander is entitled to classify Miss S in terms of the relative risk she presents to it as a borrower, taking account of the history of her mortgage. I'm satisfied that Santander has treated Miss S the same as it would any customer in the same situation. So the reporting issue aside, I can't say that Santander has treated Miss S unfairly."

I asked for any further evidence and/or arguments to be provided by 3 January 2023. Santander accepted the provisional findings. Miss S replied to say she disagreed and she provided further evidence and arguments for me to take into account.

In summary, Miss S provided more detail about where she had got to in pursuing a re-mortgage with L and said that she had made her situation clear (including her arrears) to L's mortgage adviser. Miss S made reference to a number of things the mortgage adviser had said in e-mail correspondence to her which indicated that the reason the application couldn't go ahead was a sudden fall in her credit score.

Miss S said this fall in her credit score coincided with an error Santander had made not collecting the February 2021 mortgage payment by direct debit, after this had been agreed. She re-iterated that L's mortgage adviser had sent her an e-mail confirming that the re-mortgage would have gone ahead had Miss S been showing as having been in a payment arrangement.

Miss S also questioned the recent information provided to this Service by L, re-iterated that the reporting issue hadn't been a one-off and also explained the difficulties she has been and is facing financially, which she attributes to Santander.

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.

When evidence is incomplete, inconclusive, incongruent or contradictory, I've made my decision on the balance of probabilities – which, in other words, means I've based it on what I think is most likely to have happened given the available evidence and the wider circumstances.

Having done all of this, I reach the same overall conclusion as that set out in my PD (which forms part of this Final Decision) and for fundamentally the same reasons. I realise this will come as a disappointment to Miss S, but I hope my explanation helps her to understand why this is the conclusion I've reached.

Before I explain why, I want to re-iterate my role as an ombudsman. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint. And for that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having read all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint, when doing that.

I appreciate Miss S taking the time to convey the difficulties she has faced and continues to face and I accept that she has endured a difficult time since the onset of the COVID pandemic.

I still consider there are three fundamental issues to decide here:

- Can Santander's CRA reporting errors reasonably be said to have caused the losses that Miss S claims they have?
- What level of compensation is appropriate given the impact of the errors that did happen?
- Has Santander otherwise treated Miss S fairly?

Can Santander's reporting errors reasonably be said to have caused the losses that Miss S claims they have?

In response to my PD, Miss S referenced e-mail correspondence she received from L's mortgage adviser in March 2021, where that adviser suggested the change in how L was viewing the proposed application to re-mortgage appeared to be due to something changing in Miss S's credit rating. Miss S points out that this happened not long after she had paid less than the full contractual monthly payment in February 2021 – which Miss S says was due to an error by Santander.

In order to say that Santander is responsible for Miss S suffering financial (or other) losses stemming from L deciding not to proceed with the proposed re-mortgage, I would need to conclude that it is more likely than not that any errors made by Santander were the direct cause of L's decision to not proceed with the re-mortgage.

It's possible that what Miss S has said is correct and that an error or errors by Santander did cause her to miss out on the re-mortgage with L. However, I'm not persuaded this is likely the case.

Miss S's argument is circumstantial, based on the relative timing of events. It is true that the correspondence Miss S has provided indicates that L's mortgage adviser thought the change in decision was likely due to some kind of change in Miss S's credit file. However, whilst it is accurate to say that L's perception of Miss S's creditworthiness changed some time in early March 2021, there is no evidence to show what if anything specifically changed in the way Santander was reporting information to CRAs.

And although (as set out in the PD) L's mortgage adviser also later told Miss S that the re-mortgage would have gone ahead but for Santander only reporting the arrears and not that she had also been in an 'arrangement', this isn't supported by what L more recently told us - that it was likely the presence of the arrears that caused the issue and not the extent of any 'arrangement' reporting.

Miss S has questioned what L recently told us, pointing out that another of L's mortgage advisers told her in August 2022 that the application was closed down and that the information that could be accessed was very limited.

However, L was able to provide some information relating to the application. The information it provided indicates that it had reached an agreement in principle for the re-mortgage in early 2021, based on the information Miss S had provided. As part of this, its records show that Miss S is recorded as having no arrears. Miss S says she did inform the original mortgage adviser (and later, others) of her arrears, pointing to hand-written notes from conversations she had with the adviser during February 2021 and correspondence with the same adviser in May 2021 and after. I can see from the notes Miss S has provided that the word 'arrears' is present and I accept this suggests that arrears were discussed in some way. It's not possible for me to be sure why L's records show Miss S as having no arrears. It's possible the original mortgage adviser made some kind of error when capturing information

in February 2021.

This could be why L's decision changed suddenly – the original decision in principle may have been based on the premise that Miss S didn't have any arrears and when it came to light that she did, this caused the change in lending decision.

In its recent submission to this Service, L states that the extent of any arrangement reporting would have been unlikely to be material to its lending decision and that the arrears themselves would have impacted Miss S' credit score at the time.

The mortgage adviser's comments in 2021 are contemporaneous and this does perhaps lend some weight to them. On the other hand, L's recent submission is clear in saying that the mortgage adviser shouldn't have said what he did about the significance of the 'arrangement' reporting and that what he said was incorrect. I cannot see any reason why L's recent submission should be unreliable.

Regardless, what is key and what I return to is that there is insufficient evidence to show that L's decision to decline Miss S' proposed re-mortgage was down to a change in Santander's reporting to CRAs at the relevant time and any error that may have led to such a change. For the avoidance of doubt, I make no finding on whether Santander made an error regarding the February 2021 mortgage payment – because it wouldn't make a difference, given the lack of evidence to show specifically what caused L to change its mind.

That being the case, I still cannot reasonably conclude that Santander's error in reporting before July 2021 is likely to have caused Miss S to lose out on that particular mortgage. It still seems likely that it was the existence of the arrears themselves and not the 'arrangement' reporting that was the key issue preventing the re-mortgage with L from moving forwards.

What level of compensation is appropriate?

Miss S' view that the £350 I said I was minded to award is inadequate stems from her perspective that Santander's errors have caused her substantial financial hardship and associated worry and upset.

However, this stems from Miss S not being able to re-mortgage with L in early 2021. Following on from my earlier finding, there is insufficient evidence to show that Santander is responsible for this.

With that said, I still find that Santander's mis-reporting to CRAs did cause her unnecessary worry and upset. She would reasonably have been worried about the possible impact the misreporting had and might have on her in the future.

As set out in my PD, Miss S has shown that the misreporting wasn't a one-off. There was an error in the reporting in August 2021, after Santander had said it would put things right, and it remains unclear why this happened.

Taking everything into account, I still consider that £350 is an appropriate figure of compensation to reflect the impact of Santander's errors.

Has Santander otherwise treated Miss S fairly?

It's clear from Miss S' response to my PD that she feels strongly that Santander hasn't treated her fairly. Much of this relates back to the same issue in terms of the CRA reporting

and her perception of the impact this had. Nothing else she has said leads me to conclude that Santander has otherwise treated her unfairly.

Putting things right

Santander must pay Miss S a total of £350 to reflect the distress and inconvenience caused by its mis-reporting to CRAs at times in 2021.

My final decision

My final decision is that I uphold Miss S' complaint about Santander UK Plc and I direct Santander UK Plc to do what I've said above under 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 February 2023.

Ben Brewer
Ombudsman