

The complaint

Miss R complains that Santander UK Plc unfairly recorded a default on her credit file after it closed her account.

What happened

Miss R had a student current account with Santander. The terms of the account required Miss R to use it as her primary bank account and make regular deposits. The bank account had an overdraft facility of £1,500.

There was a deposit of £1,000 in May 2017 but, from that point, there were no other credits above £190 paid into the account. In January 2018 a bill payment was collected from the account for £150.

Santander says it reviewed the account and lack of activity and decided to withdraw the overdraft facility in October 2018. From that point, the account remained open but wasn't subject to new spending. Miss R made ad hoc payments to the account until January 2019. Santander's contact notes show Miss R spoke with an agent and agreed a payment arrangement of £90 a month to reduce the outstanding overdraft balance. Payments were made until May 2019 then stopped.

Santander spoke with Miss R again in June 2019 and she gave it information about her finances at the time. Miss R advised a standing order payment for £90 had been paid that day. An income and expenditure assessment was completed and a short term arrangement to make payments of £54 was agreed. Santander asked Miss R to call back in August 2019 to discuss her account and payment options.

On 13 July 2019 Santander sent Miss R a Notice of Default that said she had 28 days to contact it to make an arrangement. Miss R called Santander on 21 August 2019 to discuss a payment plan but her account had already been closed at default at that point. Santander's contact notes say the agent advised Miss R the default would be recorded on her credit file for six years.

Miss R's explained that throughout this period she was suffering with significant mental health issues that impacted her ability to manage her account.

Last year, Miss R complained to Santander and said the default was impacting her ability to get other credit, like a mortgage. Santander sent Miss R a final response but didn't agree it had made a mistake or acted unfairly by closing her account and recording the default.

An investigator at this service looked at Miss R's complaint. They thought Santander had dealt with Miss R's case fairly and didn't ask it to do anything else. Miss R asked to appeal and said a family member had told branch staff about her mental health issues so Santander should've been aware. Miss R added that her mental health during this period wasn't at a point where she was able to manage her accounts and that Santander should retrospectively remove the default from her credit file. As Miss R asked to appeal, her complaint has been passed to me to make a decision.

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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to ensure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

Santander says it took the decision to restrict new spending on Miss R's current account in October 2018 because it wasn't being managed in line with the terms and conditions. I've looked at Santander's student account terms and conditions which require customers to use it as their primary bank account. The terms say regular payments should be made to fund the account. As a starting point, I've looked at whether Santander acted reasonably when it applied a restriction in October 2018 to stop new spending.

Looking at Miss R's account activity, I can see it was used for direct debit payments and bill payments with regular credits being made until 2017. But towards the end of 2017 the number of transactions slowed. There were two transactions in January 2018 but from that point Miss R stopped using the account altogether. Santander says it reviewed Miss R's account and took the decision to restrict new spending in October 2018 as it wasn't being run in line with the terms. I've reviewed the account activity and I think Santander made a reasonable decision to restrict the account in October 2018.

The contact notes show Miss R spoke with Santander in January 2019. At this point, the account remained open but no new spending was allowed. The contact notes show Santander discussed the account status with Miss R and agreed a payment arrangement of £90 a month. The notes say Santander's agent checked Miss R was up to date with her priority bills and confirmed the proposed payment arrangement was affordable. Miss R went on to make payments of £90 a month, in line with the payment arrangement, until May 2019 when they stopped.

Santander has told us that as a result of the status of the account and failure of the payment arrangement it wrote to Miss R and tried to contact her on various occasions from May 2019 onwards. The contact notes show Miss R got back in touch with Santander in June 2019. Santander completed an income and expenditure assessment that indicated Miss R was unable to afford the £90 payment arrangement she'd previously been party to. Santander's notes say Miss R agreed to make a payment of £54 in the following month but it wasn't made. The notes also say Santander's agents gave information about how the status of Miss R's account would be reported on her credit file and that it was possible a default could be registered.

As no payments were made, Santander issued a Notice of Default in July 2019 that said Miss R had 28 days to get in touch. The account was terminated at default in line with Santander's Notice of Default. Miss R contacted Santander, but by that point the account had already been closed and default reported.

Businesses are required to treat customers who are experiencing financial difficulties positively and sympathetically. And I'd expect to see more comprehensive support provided if a business was aware a customer was experiencing periods of significant ill health. Whilst I

don't doubt what Miss R has told us about her mental health during this period, I haven't seen any evidence that shows Santander was aware of her circumstances. Miss R's explained that a family member informed branch staff. But there are limited circumstances when a business is allowed to record information about a customer's health, requiring specific consent. I'm satisfied that receiving that information from a third party, even a close family member, wouldn't have allowed Santander to record it.

I've looked over the contact notes. I can see there were periods of no contact. But Miss R did speak with Santander during the period in question on a number of occasions. Santander's contact notes show its agents discussed the account status, need for a payment arrangement and move to default if the arrangements weren't maintained. The notes specifically record that the impact to Miss R's credit file was discussed with her during the calls. To me, it appears Santander had reasonably detailed conversations with Miss R during 2018 and 2019 but I haven't seen anything that indicates it was made aware of the seriousness of Miss R's mental health issues. As I've said above, I don't doubt what Miss R has told us and it's clear she's been through a very difficult time. But as Santander wasn't aware of the issues Miss R's told us about, I'm not persuaded it acted unfairly by taking the decision to close her account and record the default after the payment arrangement failed.

Miss R's given us some very personal information about how her mental health issues have impacted her over time. As I've said above, I don't doubt what Miss R has told us and she's provided medical evidence that shows she started receiving treatment in April 2019. But my role is to look at whether Santander treated Miss R fairly in light of what it knew about her circumstances at the time. For the reasons I've given above, I'm satisfied Santander wasn't aware of Miss R's mental health issues in the run up to her account being closed at default. As Santander wasn't aware, I'm unable to agree it acted unfairly by moving to close Miss R's account.

I've considered whether there are grounds to tell Santander to remove the default from Miss R's credit file. I understand Miss R's circumstances were very difficult. But I also have to note that her account activity shows it wasn't being operated in line with the account terms going back to 2017, when the last substantial credit was made into the account. Santander took a reasonable decision to restrict new spending in October 2018 and agreed a payment arrangement in January 2019 that was maintained for several months. Miss R also spoke with Santander in June 2019 and it agreed to provide some further breathing space and for a reduced payment to be made the following month. It was only after no further payments were received that Santander issued the default notice and ultimately closed Miss R's account. I'm very sorry to disappoint Miss R, but I'm satisfied Santander is fairly recording the default on her credit file. I haven't found grounds to tell Santander to remove the default.

I'm very sorry to disappoint Miss R, but as I'm satisfied Santander dealt with her complaint fairly, I'm not telling it to take any further action.

My final decision

My decision is that I don't uphold Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 5 April 2023.

Marco Manente
Ombudsman