

The complaint

Mrs D and Mr D are unhappy a direct debit was cancelled on their mortgage which has led to an impact on their credit file.

What happened

Mrs D and Mr D have a joint mortgage with Santander. Mrs D and Mr D wished to make a lump sum payment to the mortgage and Mr D went into the branch to do so.

On 17 April 2023 Mr D made three payments to the mortgage. One for £21,000, £5,000, and £67,244.40 which left a balance of £4,000 remaining on the mortgage. The direct debit was also cancelled in branch during this visit. The information Santander have provided shows this was cancelled by Mr D however Mrs D and Mr D dispute this version of events and state it was cancelled because of an error by the bank staff.

Santander sent a letter to Mrs D and Mr D on 18 April 2023 to explain the direct debit has been cancelled and an alternative payment method would be needed to maintain the monthly payments.

Due to no payment being made, Santander sent a letter to Mrs D and Mr D on 29 April 2023 explaining there were arrears on the account. Further letters were sent on 12 May, 26 May, 13 June and 27 June.

Mrs D contacted Santander in July to repay the arrears, and a complaint was also raised. Mrs D and Mr D explained they were unaware the direct debit had been cancelled and this has caused a financial impact. Mrs D has explained Mr D has been in hospital due to having a stroke and she has been out of the country. Mrs D and Mr D reiterated they didn't cancel the direct debit and they had funds available to make the monthly payments.

Santander responded in a final response letter and explained as the direct debit was cancelled by Mr D, there was no bank error – so Santander wouldn't amend Mrs D and Mr D's credit file.

Our investigator looked at the complaint and agreed there was no bank error which caused the direct debit to cancel. The investigator explained they were satisfied with the letters sent to Mrs D and Mr D to make them aware of the cancelled direct debit, along with arrears letters also being sent.

Mrs D and Mr D responded and said they didn't receive any letters due to issues with their post. Mrs D and Mr D queried why it stated six months in arrears on their credit file when only a few months were missed.

Our investigator explained this was due to the level of arrears outstanding and what this represented. Overall, their opinion remained unchanged, and the complaint has been passed to me for a decision.

I issued a provisional decision on this complaint on 18 April 2024 and explained I was planning on upholding the complaint as I was persuaded it was likely Mrs D and Mr D would not have cancelled the direct debit if it had been made clear this was happening.

I said the following:

What I've provisionally 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.

Having done so, I am planning on upholding this complaint in part and will explain why I've reached this decision. When information is incomplete or contradictory, I've thought about what is most likely to have happened based on everything as a whole and I've applied this when look at Mrs D and Mr D's complaint.

The crux of the complaint is based on the direct debit being cancelled and the impact this caused. Based on the evidence provided by Santander I do think it can be disputed Mr D did cancel the direct debit in branch. Santander has provided a system note to show the direct debit was cancelled by the payee and explained this could only happen if a customer entered their chip and pin.

Whilst I don't dispute Mr D likely cancelled the direct debit, I have had to consider the context behind this. And whether I think it is likely Mr D was aware of the cancellation when thinking about his intentions at the time and wider circumstances.

Mr D went into branch with the intention of making three overpayments on the mortgage, leaving a minimal balance. I can see the balance reduced from around £90,000 to £4,000 with three transactions being made. Each of these were completed with a chip and pin transaction.

It is clear Mrs D and Mr D had a plan to reduce the total outstanding balance and then keep this reduced balance on their mortgage, which significantly reduced their monthly payments. Prior to this, I can see the monthly payments had been maintained in full, and there were no signs of financial difficulties. And I'm not persuaded cancelling the direct debit was part of this plan and it doesn't feed into the purpose of making the overpayments or the previous demonstrated ability to meet the monthly payments.

Considering this, on balance, I'm not persuaded there was clear information provided to Mr D in branch which led to him understanding that the direct debit was cancelled as part of the transactions he completed when making the overpayments.

Mrs D and Mr D had funds in their account to make the monthly payments that were missed and they had made an overpayment to significantly reduce the mortgage balance. They also cleared the arrears in full in July when they received notification these. The importance of this is that, had Mr D knowingly cancelled the direct debit, there is no reason why they wouldn't have made the monthly payment owed and avoided impacting their credit file for three months.

I acknowledge there was correspondence sent to Mrs D and Mr D to notify them of the cancelled direct debit. This was correctly addressed and I'd expect, if the correspondence is correctly addressed – this would be delivered.

However, I'm persuaded this was not received by either Mrs D or Mr D. And as soon as Mrs D became aware of the situation, she repaid the arrears in full and reinstated the direct

debit.

I note there was an arrangement agreed in May and June to repay the arrears. Mrs D and Mr D dispute they agreed to this and Santander also have no records as to how and why this was put in place. So whilst it may seem Mrs D and Mr D had corresponded with Santander during April and July, meaning they were aware their monthly payment wasn't being made – I don't have anything to suggest what happened here and so I'm not persuaded this is something I can rely on.

Considering the above, I think there was unclear or misleading information in branch which led to the direct debit being cancelled. There isn't anything to suggest not making the monthly payments was part of the plan or something that couldn't be done. Mrs D and Mr D had enough excess funds in their current account to repay the remaining balance in full and it follows that I think they were unaware their direct debit was cancelled during the branch visit. Had it been clear this had been cancelled, I'm not persuaded Mrs D and Mr D would be in this position due to this not being something they would have agreed to based on the context of the complaint.

Putting things right

I don't think Mrs D and Mr D were aware of the direct debit cancelled or that it had been for some time and I don't think it is fair that their credit file reports they were unable to manage their mortgage correctly when this was not something they were aware of or unable to do.

Santander should amend Mrs D and Mr D's credit file to remove any negative information recorded as a result of the missed mortgage payments and arrears after the direct debit was cancelled between the period of April and July 2023.

I acknowledge Mrs D has had her available credit reduced on multiple credit cards and this occurred after the missed payments were reported. Whilst the credit facility has reduced – I'm unable to determine this was the sole responsibility of Santander. But I think it is fair to say distress and inconvenience has been caused as a result of the information in branch about the direct debit cancellation not being clear or understood and it is right that Santander recognise this.

In recognition of this, I plan on directing Santander to pay Mrs D and Mr D £200 for the distress and inconvenience experienced with this matter.

Santander accepted the recommendation and Mrs D and Mr D said they didn't have anything else to add. So the complaint has been passed back to me.

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.

As Santander has agreed with the provisional decision set out above and there has been no further comment from Mrs D and Mr D, I see no reason to depart from this.

I uphold Mrs D and Mr D's complaint for the reasons set out in the provisional decision above.

Putting things right

Santander UK plc should do the following to put things right:

Amend Mrs D and Mr D's credit file to remove any negative information recorded as a result of the missed mortgage payments and arrears after the direct debit was cancelled between the period of April and July 2023.

Pay Mrs D and Mr D £200 for the distress and inconvenience caused as a result of this error.

My final decision

I uphold Mrs D and Mr D's complaint against Santander UK plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 24 May 2024.

Thomas Brissenden
Ombudsman