

The complaint

Miss H complains Santander UK plc (Santander) unfairly defaulted her bank account.

What happened

Miss H says she set up a payment plan with Santander to repay her overdraft and in September 2023 she telephoned Santander to alter the payment plan as she had changed jobs and was paid at the end of the month. Miss H says Santander weren't able to accommodate her request due to its processes, which only allowed an extension up to 35 days. Miss H says she made a payment a few days after the extended date and has since repaid the overdraft sooner than expected, but Santander defaulted her account.

Miss H feels this was unfair and wants the default removed from her credit file.

Santander says its agent explained to Miss H it couldn't extend the payment date as far out as she had requested and made clear she needed to contact them before the extension date to change the payment date to the month end. Santander says no further contact was made by Miss H, so her account fell back into its collections team who proceeded to default the account.

Santander says the default was correctly applied, and it would not be removed.

Miss H wasn't happy with Santander's response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint. The investigator felt although Miss H should have contacted Santander as she'd been told to, she had made a payment at the end of October 2023 - as she initially asked. The investigator says Miss H subsequently repaid the debt ahead of schedule, within two months.

The investigator felt Santander could have been more flexible regarding the payment dates when Miss H informed them she had changed jobs. The investigator pointed out before the default was registered, Miss H had made the payments up to date and fully repaid the debt ahead of time which was beneficial to both parties.

The investigator felt Santander should remove the default notice from Miss H's credit file and pay her £100 for the upset caused.

Miss H accepted the investigator's view, but Santander did not and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I will also be upholding this complaint and I will explain how I have come to my decision.

When looking at this complaint I will consider if Santander acted reasonably when it defaulted Miss H's bank account when it did.

Both Santander and Miss H have provided this service with comprehensive details of the course of events here and while that has proved helpful, I don't intend to comment on every point raised as I don't feel it's necessary in order to come to a full and impartial decision on what's fair and reasonable. That's not to say I haven't considered everything said – I have.

The first thing to say here is registering a default on a consumer's credit file can have a significant impact on that person's ability to obtain financial services and credit for up to six years. With that in mind, I would only expect such actions to be taken by banks like Santander as a final step, when all other avenues have been exhausted, or for example several agreed payments have been missed without any customer contact.

While Santander may not agree, I'm not persuaded that was the case here. I do agree with Santander that Miss H had a responsibility to contact them if she wanted to change the payment arrangements that had been put in place – but that said, that alone shouldn't be the trigger to default someone given the potential consequences it has.

I have listened to the phone call between Miss H and Santander in September 2023 and in that call she explains she moved jobs and wouldn't get paid until the end of the following month and requested to move the payment date to 1 November 2023.

While I understand Santander's systems and process may not allow for that, what that meant was because of this lack of flexibility, Miss H was always likely to miss the extended payment date offered of 23 October 2023. It's fair to say this was the trigger for the start of the default process, as Miss H had missed a date she was never likely to meet, albeit she did make a payment of £200 on 31 October 2023. So, while I accept Miss H didn't keep to the payment plan (she was two weeks late) I do feel defaulting her account at this point was heavy handed, especially bearing in mind Santander knew Miss H would in all likelihood miss the payment deadline, because she wasn't paid until the end of the month.

So overall here, before taking the steps of defaulting Miss H with all the implications that has, as previously mentioned, I feel Santander could have been a bit more pragmatic here and contacted Miss H following the payment made in October 2023 to see if the payment plan could now be followed - after all this payment was only two weeks late and I am satisfied on balance that wasn't a reason to justify defaulting the account, given all it knew of Miss H's salary arrangements.

Miss H went on to pay a further £1,100 a few days after receiving the notice of default on 9 November 2023, repaying the debt in full by 22 December 2023 well ahead of the original payment plan. Again, it's fair to say it would have been beneficial for Miss H to have contacted Santander at that point, but I feel there was also an opportunity for Santander to have got in touch with Miss H, bearing in mind she had made significant inroads to the debt.

While Santander will be disappointed with my decision, I feel this is a fair outcome here.

Putting things right

I instruct Santander UK plc to remove the default from Miss H's credit file and pay her £100 for the trouble and upset caused.

My final decision

My final decision is that I uphold this complaint.

I instruct Santander UK plc to remove the default from Miss H's credit file and pay her £100 for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 25 June 2024.

Barry White
Ombudsman