

The complaint

Mr S complains that Santander UK Plc sold his debt to a debt collection agency despite his offer to partially settle the account balance with a one-off payment.

What happened

Mr S held a personal current account and credit card with Santander which together had accrued around £3,800 outstanding debt. Mr S explained to Santander that he'd been permanently signed off work in October 2023 after long periods when he couldn't work and his debts were causing him anxiety, stress and depression. He offered £1,500 in full and final settlement of the amount he owed Santander.

Santander asked Mr S to complete a digital budget planner (DBP) so that it could review his case. There were a number of discussions on the phone. Santander sent the DBP to Mr S three times during the period August-November 2023. Around the end of January 2024, after Mr S still hadn't completed the DBP or otherwise provided the information Santander required, Santander sent his account to its debt collection agent.

When Mr S complained, Santander didn't uphold his complaint, saying that it hadn't made a mistake. Santander said the balance was transferred to its debt collection agent when Mr S had failed to complete the DBP.

Our investigator didn't recommend upholding the complaint. He thought that Santander had acted fairly and reasonably as Mr S hadn't provided the information needed for Santander to be able to establish what support was appropriate.

Mr S didn't agree. He said, in summary, that there was '...nothing in the Financial Conduct Authority (FCA) Handbook that states someone struggling with debt must complete an income and expenditure form'. Mr S said he wrote twice to Santander explaining his health condition, his financial situation and why he was medically retired from work. He sent Santander his doctor's report in support. He said Santander however ignored the information he provided and failed to acknowledge his partial settlement offer. Instead, Santander required him to complete its income and expenditure form via online banking which he did not have access to – which Santander would've known.

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 need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the time. Having done so, I've reached the same conclusion as our investigator. I'll explain why.

I sympathise with Mr S. He had to give up his work for health reasons and he did the right thing when he contacted Santander to discuss his money problems. But Santander says Mr S didn't provide the evidence it required in order to be able to review his settlement offer.

Santander is required to respond positively and sympathetically to customers in financial difficulty. I can see that Santander tried to engage with Mr S when he made contact, explaining that it needed him to complete a DBP.

I've taken into account that Mr S says he wasn't able to access the DBP form via online banking. But he didn't tell Santander that accessing the DBP was a problem for him. And in any event, I don't think that would've been an obstacle to him providing the necessary information. I've seen information showing that, during a phone call on 21 November 2023, Santander offered to take the information it needed to know over the phone. Mr S declined that opportunity. It was arranged instead that Santander would send another DBP form and Mr S would call back five days later with the DBP information – but he never did.

I appreciate that Mr S feels he had already provided all the information he thinks Santander needed to know. But I don't think it was unreasonable for Santander to require him to complete its own DBP assessment here. Santander told Mr S on the phone that it needed to know details that Mr S hadn't provided which he could put on the DBP form.

I think Santander acted fairly in wanting to know more information about Mr S's income and expenditure, along with details of any assets and any other creditors and how they had responded to his financial situation. I don't think that asking for these details was particularly unusual or onerous. I would expect a creditor who was being asked to write off part of a debt to want to have a proper understanding of someone's overall financial circumstances.

The fact that the FCA doesn't say that someone struggling with debt must complete an income and expenditure form doesn't mean that Santander cannot ask for this information in appropriate circumstances. There are rules banks must follow in dealing with indebted customers and they are expected to gather as much relevant information as possible to make informed decisions about debt recovery. Banks generally obtain this information via income and expenditure assessments completed by their customers.

I don't consider that Santander was acting unfairly or unreasonably in seeking more information from Mr S or that it ignored the information Mr S had provided. Santander didn't reject Mr S' partial payment offer. But Mr S' health was just one factor Santander needed to consider. The fact alone that Mr S had been signed off work and he could evidence having some mental health issues aren't necessarily good enough reasons on their own for concluding it would be fair to write-off lawful debt.

I've seen that Santander took reasonable steps to try and assist Mr S. His account had been sent to collections in September 2021 and some interest and fees were refunded. Santander gave Mr S due notice before passing his outstanding debt to the debt collection agency, sending him a default notice in October 2021. This was followed by a letter confirming a default was applied the following month. So I am satisfied that Santander gave Mr S fair notice of the consequences of not having in place an agreed plan to address his outstanding debt.

Santander told Mr S that the debt collection agency would be managing his account on its behalf and that it would be happy to help him – details were provided to enable Mr S to get in touch with the agency direct. Santander also passed on contact information drawing Mr S' attention to organisations able to assist him to manage his financial difficulties. So I think, on balance, this was a helpful way for Santander to progress the matter. It signposted Mr S

towards getting independent help with his money problems and allowed Mr S a further opportunity to try and resolve his debt issues with Santander.

All in all, I don't find that Santander did anything wrong when it sold Mr S' debt to a third party. I think Santander did enough to satisfy itself that the debt collection agency was a fair and reasonable next step for Mr S and it has treated Mr S sympathetically.

If Mr S has not yet been in contact with any of the debt charities, I would encourage him to get in touch so he can obtain advice and assistance. There's more information he might find helpful in this situation on our website.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 July 2024.

Susan Webb
Ombudsman