

The complaint

Mrs H complains that Santander UK Plc reported incorrect information to the Credit Reference Agencies (CRA's) which affected her mortgage.

What happened

Mrs H says that she spoke to Santander in June 2023 about the possibility of a repayment holiday on her personal loan with them. She says a repayment holiday of one month was agreed with the assurance it would not affect her credit rating. Mrs H says that Santander actually did collect the direct debit for the loan repayment in July 2023, and she's had to make her loan repayments on time ever since, so she didn't actually have a repayment holiday.

Mrs H says that her credit rating was affected adversely and as a result of this, a two year fixed rate re-mortgage offer from a third party bank was refused. She says this forced her to accept a poorer five year fixed rate deal with her current mortgage provider. She says the deal with her preferred provider would have enabled her to re-mortgage after two years at potentially a lower interest rate. Mrs H says the arrangement fees she would have paid between the two providers is substantially different, with her new deal costing her £1,375.35 more than if her re-mortgage wasn't refused. Mrs H made a complaint to Santander.

Santander partially upheld Mrs H's complaint. They said what happened was caused by an error on their part, which resulted in the arrangement being set, which impacted her credit file. Santander said they'd requested for any adverse information on her credit file to be removed, and as an apology they had credited £250 to her current account.

Santander sent Mrs H a further response to her complaint. They said had she taken a two-year offer this is likely to have led to further charges when this offer ended, and they have considered this in reaching their decision. Santander calculated the cost over two years for both mortgages and they said it appears her current mortgage would cost her £76.62 more than her previous offer. They credited £76.62 to her account. Santander said they couldn't foresee changes to interest rates or costs associated with mortgages outside of this period, therefore they do not feel it's appropriate to cover further financial losses. Mrs H brought her complaint to our service.

Our investigator did not uphold Mrs H's complaint. He said an email Mrs H forwarded him from the mortgage provider she wanted to use says the reasons the application failed were due to an arrangement to pay being recorded on her credit file and the application failed their minimum scoring requirements. He said Mrs H then opted to take a five year fixed rate deal, as opposed to her considering another two year fixed rate deal.

Mrs H asked for an ombudsman to review her complaint. She made a number of points. In summary, she said it was impossible to prove if her preferred mortgage was declined solely due to the arrangement Santander incorrectly recorded. She said she chose the five year option with her current mortgage provider as the payments were too expensive with her current provider with a two year fixed rate mortgage. She said she is not asking Santander to compensate her for hypothetical costs, but actual costs she's incurred.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Firstly, I'm aware that I've only summarised Mrs H's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

It's not in dispute that Santander let Mrs H down by not applying the payment holiday she originally wanted, and they collected the direct debit. And they also let her down by reporting she had an arrangement to pay when she didn't. So this would be distressing for Mrs H.

I can empathise with what Mrs H has said regarding it's impossible to know if her preferred mortgage provider would have approved the mortgage if the arrangement wasn't showing on her credit file. I've viewed the messages she's forwarded us from that provider and they've said "There were two factors which led to us declining an application, the fact the customer had an existing Arrangement to Pay with a creditor, plus a minimum scoring fail." So it could appear that as they've said "plus a minimum scoring fail" that this could be a separate issue.

The preferred mortgage provider also said "It is safe to say the fact that the customer has an Arrangement to Pay on the credit file would be one contributing factor, however there are multiple other elements which also contribute to scoring – which isn't just data from their credit file. I am therefore only able to advise that the arrangement could be the reason for the decline, but I am unable to confirm it was the only reason". The reality is as they can't/won't say either way, it is unknown whether Mrs H would have been accepted for the mortgage with her preferred provider.

While I can understand the reasons Mrs H took out a five year fixed rate mortgage instead of a two year mortgage, this makes it extremely difficult to compare the products on a like for like basis. For example, if Mrs H had taken the two year fixed rate with higher repayments, I would have been in a position to compare the costs on both mortgages and potentially ask Santander to pay her the differences between the cost of these two mortgages. But here, I'm unable to do this because there will be considerations I need to take into account which aren't hypothetical, but they are unknown.

As it's not a like for like comparison, I'd be unable to hold Santander responsible for future interest rate rises – or falls over the term. While Mrs H could be worse off if interest rates fall at what would have been the end of a two year fixed rate deal, she could be better off if interest rates rose instead (on the basis she is now locked in for five years, which wouldn't increase in two years if interest rates have risen by then).

While I can understand Mrs H's logic that she's worse off by £1,375.35 based on the difference between the two product fees/costs, this does not paint the full picture. I say this because if Mrs H was to take a new mortgage in two years' time, it's probable she'd pay another product fee and have another broker fee (if she chose to use one), whereas she won't have these costs in two years' time with her five year fixed rate mortgage.

While I accept that Mrs H may not choose another deal after this, and could sell the property, the fact she opted for a five year deal – even if this was cost related, would possibly make this scenario less likely if she really wanted to sell the house in two years. The cheaper

monthly repayment would also reduce the cost differences.

The illustration from her preferred mortgage provider was for £69,000 as this shows this is the most she could borrow, whereas the product switch with her current provider shows the outstanding balance was for £69,051.84. So it appears Mrs H would have needed to pay around £51.84 if she was able to re-mortgage with her preferred provider, which also hasn't been considered (although I note this could be partially offset as the product switch illustration from her current provider shows fees of £2,071.56 instead of £2,065.35). The illustration for her preferred provider also showed a £35 funds release fee which would have also been payable when/if the mortgage completed.

I've looked at Santander's calculation where they have calculated the cost over two years for both mortgages and it does appear her current mortgage would cost her £76.62 more than her previous offer. But this doesn't take into account another broker fee after two years, the difference between the outstanding balance being higher on the new mortgage, or the funds release fee, and therefore Santander's calculation may actually be more generous than what it would originally appear. I've broken Santander's calculation down to demonstrate this:

	Two year product	Five year product
Product fees	£690	£2,065.35
Fee per year	£345	£413.07
Monthly mortgage repayment	£324.60	£322.16
Total over two years	£8,481.36	£8,557.98

From the table above, as the second column shows the two year product, the product fee is payable on a two year period, so by dividing this by two (to get a fee per year), this would be $£690/2 = £345$. The monthly payment of $£324.60 \times 24$ (how many months in a two year period) = £7,790.40. So the total she would have paid on the two year product for example purposes is $£7,790.40 + £690$ (the product fee for the two years) = £8,481.36.

To compare this with the five year product, the fees are shown on a five year period and not two years. So for a comparison on how much this would equate to per year, the £2,065.35 is divided by five which equals £413.07. This needs to be multiplied by two, to show the fees on a two year basis ($£413.07 \times 2$) = £826.14. Her monthly repayments for two years would be $£322.16 \times 24 = £7,731.84$. So by adding the £7,731.84 and the £826.14 (the product fees for two years to show a like for like basis) this equals ($£7,731.84 + £826.14$) = £8,557.98.

So Mrs H would have paid £8,481.36 over the two year period if she had been accepted for the mortgage she wanted. But as she was unable to get this mortgage, on the five year product, adjusting this to fit the same two year period, she'll pay the equivalent of £8,557.98. The difference between the two figures is $£8,557.98 - £8,481.36 = £76.62$. This is why Santander credited her an extra £76.62.

I do note that Santander's calculation shows the monthly mortgage repayment for the two year product as £324.60, but the illustration shows the payment as slightly higher at £324.64. But as this would only equate to an extra (4p x 24 months) 96p, then the difference would be negligible here. Again, the product switch illustration which Santander didn't have sight of shows a slightly higher monthly repayment fee than the figures Mrs H previously provided. This is 27p a month higher ($27p \times 24$) = £6.48. So again, I'm not persuaded this would make a significant difference to the calculation.

I'm satisfied Santander's calculation is fair and is a truer cost of the difference between the two mortgages (the two year and the five year mortgages). I hope the detailed rationale of how this is the fairest way to show a like for like basis will provide her comfort that she isn't

£1,375.35 worse off, as on a like for like basis she was £76.62 worse off, and Santander have paid her this difference.

Of course this figure could change depending on what interest rates would be available in two years, but this didn't factor in broker fees if Mrs H chose to use a broker again. And it may be that Mrs H may not have been eligible for her preferred mortgage anyway due to the scoring criteria (even if there was no arrangement being reported to the CRA's), so she may have always needed to pay for higher costs for a mortgage. But this way, Santander have given her the benefit of the doubt and calculated the difference over a two year period, which I've set out the reasons why I'm persuaded this was fair.

Although I think the £76.62 payment Santander made to Mrs H was fair for the difference between the two products, for the reasons I've already given, during my investigations I noticed that Santander's final response letter dated 14 July 2023 told Mrs H that "I have requested for any adverse information on your credit file to be removed."

But I reviewed the data Santander reported to the CRA's from July-December 2023 which showed a status of "AR", which the arrangement to pay was still being reported to the CRA's despite Santander telling Mrs H that they requested for any adverse information to be removed from her credit file. It was only on 16 January 2024 that Santander had confirmed to our service that the arrangement flag had been removed.

I asked Santander what happened here, and they told me that after reviewing the agreement to remove the arrangement flag, at the time the amendment was made, the loan account was routed back into an arrangement status within their Collections and Recoveries system. They told me that unfortunately the account was not routed into a permanent inactive status, which meant that when the account was routed back into a normal collections strategy the arrangement flag was added back on to Mrs H's credit file.

So although there should never have been an arrangement to pay registered with the CRA's, this was reported to the CRA's for almost six months extra. Mrs H has told us about the impact this had on her with other credit agreements, and while I can't specifically look at those individual agreements as part of this complaint, it's clear the distress she's had as a result of the arrangement marker being on her credit file for a prolonged period of time. This may be the first time she's been made aware the arrangement had been showing on her credit file for a significant number of months after Mrs H was told by Santander the adverse information would be removed.

This will cause further distress to Mrs H. I'm aware that Santander paid Mrs H £250 for reporting the arrangement to the CRA's when they shouldn't have done. But in light of them still reporting the arrangement for nearly six months after this should have been removed, then I'm not persuaded that £250 reflects the impact that all of Santander's errors have had on Mrs H.

So I've considered what would be a more proportionate level of compensation here. Mrs H was caused significant distress as a result of what happened, and she was caused inconvenience as she needed to rearrange her mortgage deal (although I can't say for certain whether she'd need to do this anyway based on their scoring). But the arrangement was still being reported to the CRA's many months after Santander said they would remove it.

I'm persuaded an extra £300 compensation to total £550 compensation would be a fairer reflection of the impact Santander's errors had on Mrs H here, and I believe it is proportionate, and in line with our awards for the distress and inconvenience Mrs H has suffered. So it follows I intend to ask Santander to put things right for Mrs H."

I invited both parties to let me have any further submissions before I reached a final decision. Santander accepted the provisional decision. Mrs H did not accept the provisional decision.

Mrs H made a number of points. In summary she said she was convinced that the sole reason for the mortgage provider declining her mortgage application was due to Santander's mistake because her husband and herself had never defaulted on credit agreements previously, she would not have taken the five year fixed mortgage if she knew that Santander would have compensated her for the difference in monthly repayments on a two year fixed rate mortgage.

Mrs H said she accepts that she would have another arrangement fee and possibly a broker fee when the two year fixed rate deal finishes, which she wouldn't have on the five year deal after two years, but she said the difference in interest rates would more than compensate for that, so she asked me to take this into account also.

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've noted the strength of feeling that Mrs H has that the sole reason for the mortgage provider declining the application was due to Santander's mistake. While I don't doubt what Mrs H has said about her (and her husband) not defaulting on credit agreements previously, this isn't the only factor a mortgage provider will take into account in deciding if a mortgage is approved or not. I referenced this in the provisional decision when I said the following:

"I've viewed the messages she's forwarded us from that provider and they've said "There were two factors which led to us declining an application, the fact the customer had an existing Arrangement to Pay with a creditor, plus a minimum scoring fail." So it could appear that as they've said "plus a minimum scoring fail" that this could be a separate issue.

The preferred mortgage provider also said "It is safe to say the fact that the customer has an Arrangement to Pay on the credit file would be one contributing factor, however there are multiple other elements which also contribute to scoring – which isn't just data from their credit file. I am therefore only able to advise that the arrangement could be the reason for the decline, but I am unable to confirm it was the only reason".

While Mrs H has said she wouldn't have taken the five year mortgage if she knew Santander would have compensated her for the difference in repayments, I can only look at what did happen, not what she would have done if she knew the outcome of her complaint.

I've considered what Mrs H has said about the arrangement fee, and the broker fee compared to the difference in interest rates. But as I said in the provisional decision *"As it's not a like for like comparison, I'd be unable to hold Santander responsible for future interest rate rises – or falls over the term. While Mrs H could be worse off if interest rates fall at what would have been the end of a two year fixed rate deal, she could be better off if interest rates rose instead (on the basis she is now locked in for five years, which wouldn't increase in two years if interest rates have risen by then)."*

In summary, Mrs H's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. If Mrs H is disappointed, I hope she understands my reasons.

Putting things right

In my provisional decision I said I intend to uphold this complaint in part. I said I intend to ask Santander UK Plc to pay Mrs H a further £300 compensation for distress and inconvenience. I'm still satisfied this is a fair outcome for the reasons given previously.

My final decision

I uphold this complaint in part. Santander UK Plc should pay Mrs H a further £300 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 9 July 2024.

Gregory Sloanes
Ombudsman