

## The complaint

Mr S complains that Santander UK Plc has unfairly recorded adverse information on his credit file in relation to loan payments that were missed when a direct debit failed to be collected.

## What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought the complaint should be upheld and what Santander needed to do to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

*Mr S took out a personal loan with Santander in July 2023. He is making monthly repayments of £287.57 by direct debit. In January 2024 Mr S switched his current account to a bank that I will call H. The switch took place using the current account switching service and Mr S was told that his direct debit mandates would be moved to his new account. Shortly after the switch took place a direct debit for that month's loan repayment was successfully collected from his new account by Santander.*

*Santander says that it was notified by H around a week later that the direct debit mandate had been cancelled by Mr S. It says that it wrote to Mr S to make him aware that he would need to make alternative arrangements for his loan repayments. But more recently (after the investigator issued his assessment) it has said that a flag on Mr S's account (requesting letters be sent by Audio CD) might mean that the letter hadn't been sent. Mr S says he didn't receive the letter.*

*Mr S's loan repayments weren't made in March and April 2024. In early April Santander sent a statutory Notice of Sums in Arrears ("NOSIA") to Mr S who got in touch with the bank immediately. Mr S then brought his loan account back up to date, but Santander recorded the missed payments on his credit file. Mr S says that as a result of that adverse information his credit limits on two credit cards have been reduced.*

*It wasn't clear to Mr S whether it was Santander or H that was at fault for his direct debit payments not being collected. So he complained to both firms. H said that Mr S's direct debit mandate remained active throughout March and April.*

*Santander said that the direct debit mandate had been cancelled. So Santander said that it didn't think it was at fault for the loan repayments not being made and said it couldn't amend the information it had sent to the credit reference agencies. But Santander did accept that it had later given Mr S some incorrect information about the set up of a new direct debit payment. So it paid Mr S £50 compensation for his inconvenience.*

*To help my understanding of this complaint I have also looked at the evidence provided by H in relation to Mr S's complaint against that bank. In this decision I am not making any findings against H, but I note that our investigator (a different*

investigator to that assigned to this complaint) found that H hadn't done anything wrong, and that the direct debit mandate remained active.

I have great sympathy for the position Mr S finds himself in – although it isn't entirely clear what has happened here, one thing that doesn't seem to be in doubt is that Mr S didn't cancel the direct debit mandate himself. The cancellation appears to have been caused by the processing activities of either Santander, H, or both. But as I will now go on to explain, on balance I think it most likely that the fault here lies with the actions of Santander.

Our investigator asked Santander to provide some evidence of the communications that it received that led to it concluding the direct debit mandate had been cancelled. I reproduce the relevant part of that reply verbatim. Santander said;

“As a follow-up to my previous e-mail I've liaised further with our BACS department the only communication is the notification informing the bank that the customer was switching accounts. There hasn't been any comms from either external bank regarding the mandates.”

So whilst this statement doesn't take me any closer to determining why Santander concluded that Mr S had cancelled his direct debit mandate it does appear to support the evidence provided by H that it hadn't sent Santander any notification that the mandate had been cancelled. Instead I think it reasonable to decide that it was an internal processing activity of Santander that marked the mandate as cancelled on its systems and led to it not attempting to collect the loan repayments that were due in March and April.

I would generally expect a consumer to take all reasonable actions to mitigate any errors that might have been caused by a financial services provider. Here I would expect Mr S to ensure that his loan repayments were made as soon as he became aware they were not being collected by direct debit. So I have thought about when the problems should have been apparent to him.

As I said earlier, Santander has provided us with a copy of a letter it holds notifying Mr S of the cancellation of his direct debit. That letter is dated 8 February. But Mr S says that he didn't receive the letter. And, more recently, Santander has said that the letter might not actually have been sent. On balance I'm not persuaded that Mr S was made aware at that time that his direct debit mandate had been cancelled and his repayments needed to be made by other means.

Mr S has provided me with a copy of his bank statement from H. That shows that he held a sufficient credit balance in his account, both to have made the repayments had the direct debit been submitted, and such that he might not have immediately noticed the payment hadn't been made. So I don't think Mr S's bank account transactions and balance persuade me he should have been aware of the missed payments.

So I am satisfied it is most likely that the first time Mr S was aware that there was a problem with his direct debit was when the NOSIA letter was sent by Santander. And it seems that he took immediate action to contact the bank, to make good the missing payments, and to work with Santander and H to ensure the direct debit was reinstated.

So I don't currently think it reasonable that Santander should record adverse information on Mr S's credit file showing that he failed to make the contractual

*repayments on his loan for the months of March and April 2024. Mr S had provided Santander with a direct debit mandate for the collection of those repayments. On balance I find it most likely that it was a processing error by Santander that led to those payments not being collected. And I think that as soon as Mr S became aware of the problems he took all necessary actions to resolve them.*

*It is clear that this matter will have been distressing for Mr S, particularly given the problems he says he has faced with reductions in the credit limits of his credit cards. Whilst I cannot be sure those limit reductions are entirely as a result of the adverse information recorded by Santander, the timing does seem coincidental. So I intend to direct Santander to pay a further £200 to Mr S for the inconvenience he has been caused.*

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Mr S has said he has nothing further to add. Santander says it has rechecked its records and can find no evidence that it was instructed by H to cancel the direct debit mandate. So it accepts my provisional findings.

### **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 I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr S and by Santander. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Given that both parties have accepted my provisional findings I see no reason to alter the conclusions I reached in that decision. It follows that I don't think it reasonable that Santander should record adverse information on Mr S's credit file showing that he failed to make the contractual repayments on his loan for the months of March and April 2024. And Santander should pay a further £200 to Mr S for the inconvenience he has been caused.

### **Putting things right**

I direct Santander to do the following in order to put things right;

- Remove any adverse information recorded on Mr S's credit file in relation to the loan repayments due in March and April 2024. Those repayments should be recorded as having been made on time.
- Pay Mr S £200 for the distress and inconvenience he has been caused.

**My final decision**

My final decision is that I uphold Mr S's complaint and direct Santander UK Plc to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 November 2024.

Paul Reilly  
**Ombudsman**