

The complaint

Ms M complains that Santander UK Plc unfairly reported arrears on her mortgage account to credit reference agencies.

What happened

In 2023 Ms M contacted Santander as she was experiencing financial difficulty and was struggling to keep up with her mortgage payments. Santander agreed Ms M could make no payments to her mortgage for the months of July, August, September, and October 2023.

Ms M called Santander again in October 2023, and as she still felt her mortgage payments were unaffordable, she asked for her arrangement to remain in place for another month. Santander encouraged Ms M to seek independent financial advice, and agreed to put a hold on the account for 30 days. Santander asked Ms M to call back after 30 days to discuss next steps.

There was no further contact between October and January 2024, and Ms M didn't make any payments to the mortgage. She called Santander in January and said she was ready to re-start the monthly payments again, and had noticed her payments hadn't been taken for the last couple of months. Santander explained that it wouldn't automatically re-instate a direct debit without her instruction to do so, and it had asked her to get in touch with it in November to provide an update, but she hadn't done so. Ms M made January's payment manually, and then cleared the arrears that had built up on the account in February.

Ms M complained to Santander. She said she was trying to get a new mortgage but was struggling because of her credit file. She wanted Santander to remove the arrears from her credit file as she had been under the impression her direct debit would be re-instated after the payment arrangement ended in October 2023.

Santander didn't uphold the complaint. It said it had reported Ms M's account to credit reference agencies accurately.

One of our Investigators looked into things. She upheld the complaint. She didn't think Santander had made it clear to Ms M what would happen if she didn't call back after the October conversation. She said Santander hadn't attempted to contact Ms M to tell her about the arrears on the account, and she had provided bank statements which showed she could have afforded the monthly payments for December and January. She asked Santander to update the way it had reported Ms M's mortgage to credit reference agencies for the months of December and January, and pay her £100 for the distress and inconvenience caused.

Santander accepted the Investigator's opinion, but Ms M didn't. She said the compensation award should be higher to reflect the stress this matter had caused her. She said Santander's errors had led to her being unable to obtain a new mortgage, and the stress of trying to sort this issue out has impacted her health at an already stressful time.

As an agreement couldn't be reached, the complaint has been passed to me to issue a

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 agree the offer Santander has now made to put things right is a fair and reasonable resolution to this complaint.

Santander hasn't been able to provide a full recording of the conversation it had with Ms M in October 2023, so we can't know for sure what was explained to Ms M. She says she wasn't told that her direct debit wouldn't be re-instated after the arrangement ended. In the part of the call I've been able to listen to, Santander didn't explain to Ms M what would happen after the 30 day hold expired, it just said she would need to call back and discuss next steps.

Santander didn't send anything in writing to Ms M after the call to summarise what was agreed, and it also didn't write to her in December or January to tell her she had missed payments. Whilst Ms M didn't call Santander back in November as agreed, I haven't seen any evidence that it made Ms M aware of the consequences of her not doing so. Santander is required to give borrowers information that is clear so they can make informed decisions. Based on the information and evidence I've seen, I'm not persuaded it did that in this case.

As Ms M has provided evidence she could have afforded the monthly payments, and has since made them up (as well as the other arrears), I agree that Santander should update the way it's reported Ms M's mortgage account to credit reference agencies for the months of December 2023 and January 2024.

Ms M disputes that £100 is a fair reflection of the distress and inconvenience she's experienced as a result of this matter. She's provided evidence from a mortgage broker that she's been refused mortgage lending as a result of her credit file. I'm also aware this was generally a very stressful time as a result of Ms M's wider circumstances.

But whilst I accept that Santander's actions did likely lead to some upset and inconvenience, I'm satisfied £100 is a fair amount to reflect the direct impact its actions had on Ms M. I appreciate Ms M has tried to resolve her wider financial pressures by downsizing and taking a smaller mortgage, and she has struggled to do that as a result of her credit file. But even if the December and January payments were recorded as paid, her credit file would still have showed four months of arrears and that would have been accurate. I think it's likely that still would have affected her ability to secure the new mortgage she wanted. So I can't reasonably conclude that it's Santander's actions that have prevented her from obtaining a mortgage.

I'm also mindful that Ms M was not aware of the problem until she contacted Santander on 8 January 2024. It was then she realised that the payments hadn't been taken out of her account, and Santander clarified what had happened straight away. Ms M was able to make the January payment and cleared the rest of the arrears the following month (which were legitimately owed). Whilst I appreciate Ms M was likely caused some shock when she found out her payments hadn't been taken, the matter was rectified promptly. I appreciate that Ms M has told us about her poor health around this time, and the problems she was experiencing with her wider finances. But whilst I empathise with her situation, I'm not persuaded I can fairly hold Santander responsible for that.

Whilst I appreciate it will come as a disappointment to Ms M, I'm satisfied the offer Santander has made to put things right is fair in all the circumstances.

Putting things right

To put things right Santander should do the following:

- Update the way it's reported Ms M's mortgage account to credit reference agencies for the months of December 2023 and January 2024. Santander should report the payments being made on time for those months.
- Pay Ms M £100 for the distress and inconvenience caused.

My final decision

I uphold this complaint and instruct Santander UK Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 2 January 2025.

Kathryn Billings
Ombudsman