

The complaint

Mr J is unhappy that Santander UK Plc didn't clearly warn him that a temporary reduced payment plan could have an adverse impact on his credit file.

What happened

Mr J has a loan with Santander. On 19 June 2024, Mr J called Santander and explained that he would struggle to afford to make the scheduled loan payments for the next few months and asked what assistance Santander could provide. Santander's agent asked Mr J to complete an income and expenditure form and call Santander back, which Mr J did. And on this second call, Mr J agreed a reduced payment plan for three months.

Mr J made the reduced loan payments as per the agreed plan but was dismayed to learn that Santander had reported his loan as being in arrears on his credit file because of those reduced payments. So, he raised a complaint.

Santander responded to Mr J and acknowledged that it could have been more clearly explained to Mr J that his acceptance of a reduced payment plan could have an adverse impact on his credit file. Santander apologised to Mr J for this and offered to pay £40 to him as compensation for any trouble or upset this may have caused. Mr J wasn't satisfied with Santander's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt Santander's agents had told Mr J that his acceptance of a reduced payment plan could adversely impact his credit file, and so didn't uphold the complaint. Mr J didn't accept the view of this complaint put forwards by our investigator, so the matter was escalated 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.

I've listened to the initial call that took place between Mr J and Santander wherein Mr J explains that he is in financial difficulty and asks Santander for assistance. And I note that on that call, Santander's agent discusses possible assistance that Santander might be able to provide, and gives the following example:

"We can for a couple of months reduce the payments... after three months of a reduced payment plan, we can reset the direct debit... and whatever arrears there will be remaining can be split over twelve months."

In explaining the above, I feel that Santander's agent did explain that a reduced payment plan would result in the account falling into arrears, because the agreed contractual loan payment as per the loan agreement wasn't being made. Indeed, I feel that the only reason Santander's agent would reference repaying arrears is because arrears would accrue as a result of a reduced payment plan. And I also feel that, speaking generally, it stands to reason that this would be the case.

In response to Santander's agent's explanation, Mr J stated that he understood. And later in the call, after Santander's agent had asked Mr J to complete an income and expenditure assessment and call Santander back when he had done so, Santander's agent explained the following:

"Also, I just want to make you aware, at the moment you're not in arrears, but any arrears can impact your credit file. But if there is an arrangement agreed on that account that will prevent the default on the account."

I feel that this explanation by Santander's agent was an explanation that any arrears that might accrue on Mr J's account, including as the result of a reduced payment plan, could have an adverse impact on Mr J's credit file – but that Santander wouldn't default an account in arrears while a payment arrangement was in place.

Mr J also called Santander later that same day and spoke with a second Santander agent. And this agent also explained to Mr J that accepting a reduced payment plan would result in arrears accruing on his account, as follows:

"It's called a reduced payment plan, and ... you pay a reduced amount towards it for ... up to three months. And basically, whatever arrears accumulate over those three months... we allow you up to a year to pay them off."

Mr J has said that in this call, he was told by Santander's agent that if he received any letter about the account falling into arrears, that he could ignore those letters, which Mr J feels meant that he wouldn't be considered by Santander to have fallen into arrears.

But I don't share Mr J's opinion on this matter. And this is because while Mr J was told that he could ignore a letter by Santander's agent, the letter in question was a letter that Mr J might receive after cancelling the direct debit instruction for the scheduled loan payment which might state that there was a problem with his direct debit. And the reason that Mr J was told to ignore this letter was because Mr J had to make the agreed reduced monthly payments manually for the term of the reduced payment arrangement.

I also note that Santander's website explains the impact of financial assistance on credit files as follows:

"If you miss a payment, we'll report it to the credit referencing agencies. This will impact your credit file. But if you get in touch with us, we can help find an affordable solution for you, reducing the impact on your credit file."

Notably, Santander explain that arranging an affordable solution, such as a reduced payment plan, will 'reduce' the impact on a credit file, but won't mean that there is no impact on a credit file.

All of which means that I don't feel that it was the case that Santander's agents didn't explain to Mr J that his acceptance of a reduced payment plan might result in his credit file being adversely affected as Mr J contends. Rather, I feel that this point was explained to Mr J. And I also note that at no time did Mr J ever directly ask any of Santander's agents whether his acceptance of a reduced payment plan would have any impact on his credit file, as I would have reasonably expected him to do if he was unclear on that point.

Accordingly, it follows that I won't be upholding this complaint or instructing Santander to take any further or alternative action here. I note that Santander have offered Mr J £40 compensation in their response to his complaint. But given that I don't feel that Santander have acted unfairly, I leave it to their discretion as to whether that offer remains available to

Mr J, should he ask to accept it.

I realise this won't be the outcome that Mr J was wanting, and I acknowledge the impact that arrears reporting can have on a credit file. But as I hope I've been able to clearly explain, I don't feel that Santander should fairly or reasonably be considered to bear any responsibility for any adverse impact Mr J has incurred because of the reduced payment plan he agreed to, for the reasons explained above. I hope that Mr J will understand, given what I've explained, why I've made the final decision that I have.

My final decision

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 J to accept or reject my decision before 27 February 2025.

Paul Cooper
Ombudsman