

The complaint

Miss G and Mr S complain that Santander UK Plc mistakenly reported arrears on their mortgage to their credit files.

What happened

Miss G and Mr S had a mortgage with Santander. They fell into financial difficulties in 2023 following a breakdown in their relationship. At first the payments were maintained, but in January 2024 Mr S agreed a payment arrangement with Santander. It was agreed that reduced payments would be made for six months, while the property was marketed for sale.

Santander wrote to Mr S to confirm the arrangement, saying that if the mortgage fell into arrears interest would be charged on the arrears and they would be reported to the credit reference agencies.

In February 2024 the mortgage was moved onto a new fixed rate, but it remained in the payment arrangement so the revised monthly payments were not in fact made.

In July 2024, Mr S asked about extending the arrangement, Santander agreed to hold further recovery action while the property was sold. The sale completed and the mortgage was redeemed in October 2024.

Mr S complained. He said that their credit files showed missed payments rather than an arrangement. He said he had been told this was an error that would be corrected.

Santander said that it had correctly reported the account as in arrears by arrangement between January and June, because that was what it had agreed to. It said it had then reported that there was no arrangement between July and September, because the arrangement had ended in June after six missed payments. However, it accepted that when Mr S spoke to Santander in July it had wrongly told him that placing the account on hold would also be reported as an arrangement. It said it would correct his credit file. It offered Mr S £100 compensation.

Mr S checked his credit file, and found that it showed arrears by arrangement. He wasn't happy with that and complained to us. He said Santander had agreed to remove the arrears reports altogether and that's what it should do. He said Santander had offered compensation when his primary concern was not financial but his credit file. He said his credit file had not been amended as agreed. He said he had been misled by Santander and it hadn't taken his complaint seriously or recognised his repeated attempts to resolve things. He said that as a result of the wrong information on his credit file, he had been turned down by other lenders for a new mortgage. Miss G joined the complaint when it came to us.

Our investigator said that Santander had reported that the mortgage was in arrears from January, and that it had reported that the arrears were by arrangement. He said this was correct. He said Santander had made clear at the time the arrangement was agreed that it would result in arrears that would be reported to Miss G and Mr S's credit files. He said that Santander had only offered to amend the reports from July onwards from arrears without

arrangement to arrears by arrangement, and he said that was a fair offer.

Miss G and Mr S didn't agree, and asked for their complaint to be reviewed by an ombudsman.

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, and while I'm sorry to disappoint Miss G and Mr S, I think Santander has acted fairly to put things right.

When Mr S agreed a reduced payment arrangement with Santander, it was agreed that less than the monthly payments due would be made. This means that the mortgage goes into arrears – but does so by arrangement.

Arrears are reported to credit files. The report is either arrears without arrangement (AA) or arrears with arrangement (AR).

Santander only reports arrears when the total amount of missed payments is the equivalent of one monthly payment or more, and then it reports the total of arrears as a number. So, for example, if two monthly payments are missed, that is reported as "2". And if for four months only half of what is due is paid, that is also reported as "2" – four half missed payments adding up to the same as two full missed payments.

I'm satisfied that Santander made clear at the time of the original arrangement that it would be reported to Miss G and Mr S's credit files. It said that in the letter it sent confirming the arrangement.

At the end of the arrangement, Mr S spoke to Santander again. It agreed to place a hold on the account because completion was due in October, when the mortgage was repaid. This wasn't an arrangement. But the agent Mr S spoke to wrongly said it was, and also said that the missed payments wouldn't show on his credit file, it would only show an arrangement.

This wasn't correct. An arrangement to make some payments (or even accept no payment) hadn't been agreed – all that had been agreed is that Santander wouldn't take recovery action because it knew the property was about to be sold.

Even if there was an arrangement in place, as I've explained, the missed payments would show – but show as arrears by arrangement (AR) not arrears without arrangement (AA). That should have been made clear to Mr S at the time.

However, if it had been, I don't think Mr S would then have been able to make the monthly payments in full to prevent the missed payments showing at all. But a further payment arrangement may have been agreed. Had that happened, an arrangement would have been reported to the credit files – which would then show AR not AA.

Santander has now amended Miss G and Mr S's credit files so that it does show AR. I think that's fair. It puts Miss G and Mr S back in the position they would have been in had the agents given Mr S correct information – the payments wouldn't have been made, but an arrangement would have been agreed.

I've seen what it has reported:

Month	Payment status	Account status
October 2024	0	ST (settled)
September 2024	5	AR
August 2024	4	AR
July 2024	3	AR
June 2024	2	AR
May 2024	1	AR
April 2024	1	AR
March 2024	0	AR
February 2024	0	AR
January 2024	0	AR

I'm satisfied this is correct, and reflects the payments Miss G and Mr S made over this period.

Mr S says that his Experian credit report has not been corrected. But I don't think that's right. The summary of it on a credit file check website, which covers all three credit files, shows the status as "5", whereas the other two agencies show "AR". But that doesn't mean that the Experian file is wrong. It's an issue because of what Experian and the website share with each other and show.

The information Santander has given to Experian is correct. This is confirmed by the full Experian credit report, which includes the arrangement as well as the missed payments. I've included a snapshot of this below, highlighting the report of the arrangement:

Company:	SANTANDER ANMF MORTGAGE	Started:	01/02/22
Account Type:	RESIDENTIAL MORTGAGE	Balance:	£218517
		Payment Terms:	£1303 x 324 months
ARRANGEMENT			
Start Date: 02/24		End Date: 10/24	
Account Status Details: (1 - 12 months)			
Last Updated to 06/10/24			
Account Status Code:	[5]	4	3
		2	1
			1
			0
			0

Santander isn't responsible for what Experian and the website agree between them will be shown on a summary report. I'm satisfied that the information Santander has given Experian, and which Experian shows in its own full report, is correct.

Miss G and Mr S also say that the missed payments should be removed, because the payments were made in full when the mortgage was redeemed in October. It's true that when the mortgage was redeemed, all outstanding amounts were paid. But that doesn't

change the fact that the earlier payments weren't made on time and in full when they were due. It's fair that their credit files continue to reflect that.

I also think that the offer of compensation of £100 is fair. It was paid to Mr S, because it was Mr S who was given the incorrect information and who complained about it. I understand that Mr S has since had applications for a new mortgage rejected. I'm sorry to hear that. But I think it's more likely that's because of the record of missed payments, than because two of them were initially reported as AA rather than AR. So I'm not persuaded that Santander is responsible for the mortgage applications being rejected. As the missed payments become less recent, Mr S may be able to apply again. This may be something for him to discuss with his mortgage broker.

I'm therefore satisfied that Santander has made a fair and reasonable offer to settle this complaint. As it's already amended Miss G and Mr S's credit files, and paid Mr S £100 compensation, I don't require it to take any further action.

My final decision

My final decision is that I don't uphold this complaint, because Santander UK Plc has already made a fair and reasonable offer to resolve it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G and Mr S to accept or reject my decision before 14 April 2025.

Simon Pugh
Ombudsman