

The complaint

Mr S complains about the way that Santander Consumer (UK) plc, trading as Santander Consumer Finance, has dealt with the payments that he's made to it under a conditional sale agreement.

What happened

I issued a provisional decision on this complaint last month in which I described what had happened as follows:

"A used car was supplied to Mr S under a conditional sale agreement with Santander Consumer Finance that he electronically signed in July 2023. The price of the car was £40,486, Mr S made an advance payment of £4,500 and agreed to make 60 monthly payments of £747.32 to Santander Consumer Finance.

Mr S says that he wanted to settle the amount that he owed under the conditional sale agreement so he started making overpayments to Santander Consumer Finance in January 2024 and a settlement quote was then sent to him by Santander Consumer Finance later that month. It said that the settlement figure was £34,302.48 based on a settlement date of 8 March 2024. Mr S made ten payments totalling £34,056.53 to Santander Consumer Finance in January and February 2024. Mr S understood that the amount of interest payable on his account would be reduced by those payments and he phoned Santander Consumer Finance after the payments had been made to check on the status of his account and was told that the outstanding balance was £245.95. He didn't agree so he contacted Santander Consumer Finance and it said that it would reduce the settlement amount by £100.

No direct debits were collected by Santander Consumer Finance from March to June 2024 but Mr S paid £145.95 to Santander Consumer Finance in May 2024 and a direct debit payment of £699.21 was collected from him in July 2024. Mr S complained to Santander Consumer Finance in June 2024 about the difficulties that he'd experienced and it partially upheld his complaint. It apologised for the poor service that Mr S had received and offered to pay him £50 compensation for any distress and inconvenience caused. Mr S wasn't satisfied with its response so complained to this service.

His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that Santander Consumer Finance had acted fairly. She thought that it would be fair for Santander Consumer Finance to recalculate what the interest would've been had the overpayments been correctly applied after the February billing cycle had ended and to adjust the agreement taking into account any direct debit payments made by Mr S since then and that it should also honour its offer to deduct £100 from the agreement.

She recommended that Santander Consumer Finance should: recalculate the interest on the overpayments from when the payments were made and readjust the agreement accordingly; if that resulted in the agreement being fully settled, any funds

remaining should be refunded to Mr S as an overpayment; pay interest on the refunded amounts; pay a further £250 for any distress and inconvenience caused; and remove any adverse information from Mr S's credit file in relation to the agreement.

Santander Consumer Finance accepted the investigator's recommendation but, when asked about the amount to be refunded to Mr S, said that the outstanding balance would be £81.90 but it would write it off. Mr S has provided detailed responses to the investigator's recommendation and says, in summary and amongst other things, that: in addition to the payments he made in January and February 2024, there was an interest rebate of £452.94 so he overpaid by £206.99 and he didn't owe £245.95; and Santander Consumer Finance's deliberate or discriminatory action caused his whole family trauma and financial distress and he's still not able to sell the car resulting in a loss of value of more than £8,000".

Provisional decision

I set out my provisional findings in my provisional decision. I said as follows:

"It's clear that Mr S wanted to settle the amount that he owed under the conditional sale agreement to save on interest so he says that he made two overpayments totalling £2,145 to test the process in January 2024, in addition to the direct debit of £747.32 that was also collected from him. He says that he then received a settlement quote from Santander Consumer Finance which said that the settlement figure was £34,302.48 based on a settlement date of 8 March 2024. A rebate of £452.94 was applied to Mr S's account in January 2024 and he made two more overpayments totalling £18,265 later that month. He made three overpayments totalling £12,200 in February 2024 and a direct debit of £699.21 was collected from him.

Mr S understood that, as those amounts totalled more than the settlement figure of £34,302.48, his account had been settled but that wasn't the case as his overpayments had been treated as partial settlements and the rebate of £452.94 wouldn't have been credited to his account if the account was being settled in full. I don't consider that Santander Consumer Finance properly explained to Mr S the effect of the payments on his account and the reason that the payments that he'd made to it hadn't fully settled his agreement. It has accepted that it provided poor service to Mr S and it apologised for that and offered to pay him £50 compensation for any distress and inconvenience caused.

After the rebate of £452.94 had been credited to his account, Mr S made further overpayments totalling £30,465 to his account but no further rebate was applied to his account until July 2024, his monthly payments weren't further reduced from £699.21 and no monthly payment was collected from him in March, April, May or June 2024. Mr S has provided a statement for his account dated 8 April 2025. It shows that an interest rebate of £5,172.93 was applied to the account in July 2024, that monthly payments of £11.98 were made to the account between August 2024 and March 2025 and that the outstanding balance on the account on 8 April 2025 was £479.20.

I don't consider that Santander Consumer Finance dealt with Mr S's account correctly. If it had properly explained to Mr S the effect of the payments on his account, I consider it to be more likely than not that Mr S would have paid the amount that was required to fully settle his account. The shortfall in February 2024 after the overpayments had been made was £245.95, Santander has said that it would reduce the settlement amount by £100 and Mr S paid £145.95 to Santander Consumer

Finance on 17 May 2024.

The investigator said that Santander Consumer Finance should recalculate the interest on the overpayments from when the payments were made and readjust the agreement accordingly; and if that resulted in the agreement being fully settled, any funds remaining should be refunded to Mr S as an overpayment. Santander Consumer Finance accepted the investigator's recommendation but I don't consider that the information that it provided when asked about the amount to be refunded is consistent with the investigator's recommendation (although it said that it would write-off the outstanding balance of £81.90).

I consider that the investigator's recommendation was fair and reasonable if the recalculation results in the agreement being settled, but if the recalculation results in the agreement not being fully settled, I also consider that Santander Consumer Finance should apply the £100 credit and the payment of £145.95 to the account as if those payments were made on 8 March 2024 so that the agreement was fully settled at that time. In that case I consider that Santander Consumer Finance should refund to Mr S any payments that he's made to Santander Consumer Finance since 17 May 2025 when the payment of £145.95 was made and that it should also pay interest on those payments. If the recalculation results in the agreement being fully settled, I consider that Santander Consumer Finance should refund to Mr S any overpayment that he made, including all payments that he's made to it since the account became fully settled, that it should pay interest on the amounts to be refunded and that it should also pay to Mr S the £100 that it said that it would pay to reduce the settlement amount.

These events have clearly caused distress and inconvenience for Mr S. Santander Consumer Finance has already offered to pay him £50 compensation but the investigator recommended that it should pay a further £250 to him for any distress and inconvenience caused. I've carefully considered what Mr S has said about the impact of these events on him. I'm not persuaded that it would be fair or reasonable in these circumstances for me to require Santander Consumer Finance to pay him any compensation for the loss in the value of the car that he says that he's suffered. I consider that the payment of £300 compensation that was recommended by the investigator is fair and reasonable compensation for the distress and inconvenience that Mr S has been caused by Santander Consumer Finance in these circumstances. I'm not persuaded that it would be fair or reasonable for me to require Santander Consumer Finance to pay him any more compensation than that.

I've seen no evidence to show that Santander Consumer Finance has reported any adverse information about Mr S's conditional sale agreement to the credit reference agencies but, if it has reported any such information, it should ensure that it's removed from Mr S's credit file".

Subject to any further comments or evidence that I received from Mr S and Santander Consumer Finance, my provisional decision was that I intended to uphold this complaint. Santander Consumer Finance hasn't responded to my provisional decision but Mr S has provided a spreadsheet in which he says that the total payment due from Santander Consumer Finance at the end of May 2025 was £1,502.59 and he asks for that to be reconciled with Santander Consumer Finance prior to my final decision. He also asks that the loss in value of the car be reconsidered and that independent valuations be requested.

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 said in my provisional decision that I'm not persuaded that it would be fair or reasonable for me to require Santander Consumer Finance to pay Mr S any compensation for the loss in the value of the car that he says that he's suffered. Mr S has asked that the loss in value of the car be reconsidered and that independent valuations be requested. If selling the car was an important factor for Mr S, I consider that it would be reasonable to expect him to have paid to Santander Consumer Finance the amount that it said was outstanding to end the conditional sale agreement so that he could then sell the car and to have continued with his complaint about the amount that he'd paid. Mr S chose not to make that payment so the conditional sale agreement has continued. I still don't consider that it would be fair or reasonable for me to require Santander Consumer Finance to pay Mr S any compensation for any loss in the value of the car so I don't consider that independent valuations of the car should be requested.

Mr S has also asked for the figures from his spreadsheet to be reconciled with Santander Consumer Finance prior to my final decision. I set out in my provisional decision the actions that I consider that Santander Consumer Finance should take to put things right, including recalculating the interest on the overpayments made by Mr S in January and February 2024 from when the overpayments were made and applying the interest to Mr S's account. That is something that Santander Consumer Finance will be required to do and it isn't my role to reconcile the calculations that Mr S has made with Santander Consumer Finance.

Putting things right

Having carefully considered Mr S's response to my provisional decision, I'm not persuaded that I should change the findings that I set out in my provisional decision. I find that it would be fair and reasonable in these circumstances for Santander Consumer Finance to take the actions described in my provisional decision and as also set out below.

My final decision

My decision is that I uphold Mr S's complaint and order Santander Consumer (UK) plc, trading as Santander Consumer Finance, to:

1. Recalculate the interest on the overpayments made by Mr S in January and February 2024 from when the overpayments were made and apply the interest to Mr S's account; and
 - if that would have caused the agreement to be fully settled at that time:
 - to pay any credit balance on the account at that time to Mr S and to pay interest on that amount at an annual rate of 8% simple from the date that the agreement became fully settled to the date of settlement; and
 - to refund to Mr S any payments that he's made to the account since it became fully settled and to pay interest on those payments at an annual rate of 8% simple from the date of each payment to the date of settlement; and
 - to pay to Mr S the £100 that it said that it would pay to reduce the settlement amount;
 - if that would have caused the agreement not to have been fully settled at that time:
 - to apply the £100 credit and the payment of £145.95 to the account as if those payments were made on 8 March 2024 so that the agreement was fully settled at that time; and

- to refund to Mr S any payments that he's made to Santander Consumer Finance since 17 May 2025 when the payment of £145.95 was made, and to pay interest on those payments at an annual rate of 8% simple from the date of each payment to the date of settlement.
2. Ensure that any adverse information that it's reported to the credit reference agencies about Mr S's conditional sale agreement is removed from Mr S's credit file.
 3. Pay £300 to Mr S to compensate him for the distress and inconvenience that he's been caused.

HM Revenue & Customs requires Santander Consumer Finance to deduct tax from the interest payments referred to above. Santander Consumer Finance must give Mr S a certificate showing how much tax it's deducted if he asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 July 2025.

Jarrold Hastings
Ombudsman