

The complaint

Mrs C complains that Santander UK Plc didn't explain to her the implications of entering a payment arrangement on her mortgage. She says that unbeknown to her, adverse information has been reported on her credit file which has impacted her in several ways.

What happened

Mrs C's complaint is in relation to a mortgage held jointly with her ex-husband. Following a relationship breakdown Mrs C remained living in the mortgaged property and her ex-husband moved out. There are quite personal and sensitive circumstances surrounding the separation. Whilst I've given careful consideration to everything Mrs C has told us about her situation, I've deliberately avoided disclosing any information that may identify her once this decision is published.

On 12 July 2023 Mrs C called Santander to explain that she was receiving a reduced income, and she was looking for help with her mortgage payments. At the time Mrs C's payments were £468.11 per month. She made her full contractual payment on 3 July 2023, but she was concerned about her upcoming payment due on 1 August 2023.

The agent explained the Government Mortgage Charter initiative to Mrs C whereby borrowers who are up to date with their mortgage payments could opt to switch their mortgage to interest only for six months or extend the term of their mortgage, to help make their mortgage payments more affordable. But the agent explained that the initiative hadn't yet gone live with Santander, so she would need to refer Mrs C to the Financial Care Team to discuss available options with her.

The agent in the Financial Care Team discussed possible options with Mrs C. The agent explained the difference between a reduced payment plan and a zero-payment plan. In doing so she said that only a zero-payment plan may affect Mrs C's credit file. The agent didn't tell Mrs C that a reduced payment arrangement may also affect her credit file. The agent conducted an income and expenditure review and offered Mrs C the option of a reduced payment arrangement for the months of August and September 2023. It was agreed that Mrs C would pay a reduced amount of £328.30 instead of her contractual monthly payment of £468.11 for two months.

On 19 September 2023 Mrs C called to repay the arrears that had accrued over the months of August and September totalling £279.74, bringing the mortgage account back up to date.

Mrs C says she found out in early 2024 that the reduced payment arrangement had been reported on her credit file. She complained to Santander about this. She says that had she known about the impact of the payment arrangement, she would have found another solution to maintain her full mortgage payments to protect her credit profile.

Mrs C also says that having found out that the Mortgage Charter went live with Santander on 24 July 2023, she should have been advised to call back later in the month to take advantage of this instead of being offered a reduced payment arrangement that would impact her credit file.

Santander agreed that it should have given Mrs C better information about the impact of the reduced payment arrangement. It upheld the complaint and paid her £200 compensation.

Unhappy with this Mrs C brought her complaint to our service. Santander later agreed to remove the adverse data reported on Mrs C's credit file, but Mrs C remained unhappy as she doesn't think she's been fairly compensated in the circumstances.

In summary Mrs C says that Santander's error has caused the following impact:

- She's suffered 17 months of mental and emotional torment because of Santander not agreeing to remove the markers on her credit file sooner.
- The adverse data reported on her credit file has meant that she's been refused mainstream lending. She had to take a loan in August 2023 but was only accepted on an interest rate of 27.9%.
- Since losing her job in July 2023 she's not been able to secure a new role in her industry due to having a poor credit profile.
- Without being able to secure borrowing to consolidate her debts to improve her finances, Mrs C's bargaining position during divorce proceedings and her ability to remove her ex-husband from the mortgage has been impacted – causing additional court attendance and legal costs amounting to more than £5,400.

An investigator at our service looked into things and thought that Santander needed to do more to put things right. He recommended a compensation award of £350, but explained why he didn't think that he could reasonably expect Santander to compensate Mrs C for all the loss she's described.

Mrs C remained unhappy and asked for an Ombudsman to decide her case.

I issued a provisional decision on 10 March 2025. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The key facts about this complaint aren't in dispute. Santander has accepted it got things wrong. So, the only issue I have to decide is whether the things it has done to put things right, including the amount of compensation awarded to date, is fair and reasonable.

I've carefully considered everything Mrs C has said about how she's been impacted as a result, and how she should be fairly compensated in the circumstances.

When making an award for compensation, I must decide what's fair and reasonable to both sides involved, considering all the circumstances of this case. I also think it's important to explain that, as a service, our awards are designed to compensate consumers - not punish organisations.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Where the evidence is incomplete or inconclusive, as some of it is here, I reach my decision

on the balance of probabilities – that is, what I consider is more likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

Santander has removed all adverse data relating to the reduced payment arrangement from Mrs C's credit file and it has paid her £200 compensation. I think Santander needs to do more to put things right, I'll explain why.

Santander has shown that a payment arrangement was reported on Mrs C's credit file for the months of July, August, and September 2023. But I can also see that Mrs C made her full contractual monthly payment in July 2023. The payment arrangement was only agreed for August and September 2023 and that's how it should have been reported on Mrs C's credit file.

So irrespective of the amendments made as part of the resolution to Mrs C's complaint, the reporting for July 2023 was always wrong and a payment arrangement shouldn't have been reported for that month.

I've thought carefully about the impact Mrs C says she has suffered because of the adverse Information reported on her credit file. Firstly, I'm persuaded that Mrs C has suffered a direct financial loss as a result of Santander's actions, I'll explain why.

Mrs C has explained that in around June/July 2023 she was pre-approved for a loan on an interest rate of 6.9%. But due to a change in circumstances that application didn't go ahead until August 2023.

Mrs C has shown that she took a personal loan for £5,000 on 24 August 2023 on an interest rate of 27.9%. She says that as a result of the payment arrangement reported on her credit file, she was subject to higher interest rates associated with adverse credit.

Mrs C hasn't been able to evidence that she was pre-approved for lending on a rate of 6.9% in mid-2023. But in any event, I've also thought about the fact that being pre-approved for a loan or credit card indicates that based on preliminary information a lender considers the applicant a suitable candidate for the product. It does not guarantee final approval. I've also borne in mind that I know very little about the information Mrs C submitted at the time of pre-approval. So, it's difficult for me to place too much weight on this.

That said, Mrs C has shown that she obtained a loan for £14,500 in April 2023 on an interest rate of 8.55%. So, I'm satisfied that prior to the entries on her credit file by Santander, Mrs C was approved for more favourable interest rates on borrowing, not long before.

As I've explained, the payment arrangement should have never been reported in July 2023. Typically, lenders report to credit reference agencies monthly, this is to ensure that credit records remain up to date. And typically, data is reported at the end of each month so that the lender has a full picture of the month prior before reporting data to the credit reference agencies. So, at the very earliest, the payment arrangement from August 2023 should have in any event been reported at the end of August 2023. Had that happened, I think on balance its most likely the case that Mrs C would have obtained a better interest rate on the loan she applied for on 24 August 2023. I say this because aside from the adverse information reported on Mrs C's credit file relating to her mortgage, I've seen no other adverse information that would likely impact her credit score in this way. And so, it follows that she has suffered a direct financial loss as a result of Santander's incorrect reporting, and I think Santander needs to put things right.

I won't go into too much detail here about the accuracy of the reporting in August and September 2023 as that's not necessary. Santander has already accepted it could have

given Mrs C better information about her options and it has already removed all adverse information from Mrs C's credit file.

I've thought carefully about all the other ways Mrs C says she's been impacted because of Santander's actions. Specifically, she says that the adverse credit markers have impacted her ability to secure a job and have impacted her finances, having a detrimental effect on her divorce proceedings.

I am very sorry to hear about the difficult circumstances Mrs C has described, it's clear she's been through a very difficult time, and I truly empathise with her situation. However, I don't think it's fair to hold Santander responsible for everything that happened following its mistake. I say this because much of the consequences explained by Mrs C are too far attached from the mistake in question. I don't think the chain of events that occurred, and the financial loss Mrs C has described were a reasonably foreseeable result of the error. There is no evidence to suggest that the sole reason Mrs C was unsuccessful for her job applications was due to her credit profile. In addition, there are too many variables that can influence the outcome of a divorce settlement.

That said, I don't doubt that this situation has caused Mrs C significant distress and inconvenience, during what was already a very difficult time for her. She's spent several months worrying about the potential future impact that the markers on her credit file would have on her credit score and finances. I think she should also be compensated for the fact that irrespective of Santander's decision to remove the adverse data for August and September 2023, it's now evident that July 2023 was reported incorrectly altogether from the outset too. I think an award of £500 fairly compensates Mrs C in the circumstances and is in line with this service's guidelines on such compensation.

Putting things right

To account for the higher interest rate Mrs C has been subject to on her personal loan, Santander should pay Mrs C the difference between the interest rate she got on 24 August 2023 (that being 27.9%) and the rate I think she would have most likely got at the time. For this I've used the rate she obtained on another personal loan in April 2023 (that being 8.55%). I can see that the personal loan in question ran from 24 August 2023 until some time in January 2024.

In response to this provisional decision, I ask that Mrs C provide evidence of the date that loan was repaid along with a statement of account that can be provided to Santander to support with its calculations.

Santander should then:

- Pay Mrs C the difference in the interest rates mentioned above as an overpayment amount (between August 2023 and the confirmed end date of the loan in January 2024) back in cash, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.*
- Santander should also pay Mrs C a total of £500 compensation. I understand it has already paid Mrs C £200 compensation, so it needs to pay her a further £300.*

**Interest is at the rate of 8% a year simple. If Santander UK Plc considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs C how much it's taken off. It should also give Mrs C a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate."*

Further information in response to my provisional decision on 10 March 2025

Both parties responded to my provisional decision. Santander asked for more information about Mrs C's loans to enable it to make the directed settlement.

Mrs C responded to say that the £5,000 borrowed in August 2023 is still owed. She has refinanced the initial loan on two occasions with different lenders whilst borrowing more funds. Whilst she's been able to source lower interest rates each time, she was still subject to higher interest rates overall, as a result of the marker on her credit file in place at the time – which was not removed by Santander until later in 2024.

Mrs C has provided evidence of the individual loan agreements below:

- £5,000 taken on 24 August 2023 on an interest rate of 27.9%. Repaid on 10 January 2024
- £7,500 taken on 4 January 2024 on an interest rate of 15.37%. Repaid on 22 July 2024
- £8,800 taken on 20 July 2024 on an interest rate of 9.84%. This loan remains active.

Mrs C has also provided further testimony about the impact that the adverse information has had on her job prospects. Mrs C has explained that due to the industry she works in, she's required to disclose adverse credit information upfront, which prevented her from being able to apply for roles. Mrs C has explained that since the adverse information has been removed from her credit file, she was able to interview for a new role in January 2025 and was successful. She says the only thing preventing her from securing a new role was the adverse information showing on her credit file from July 2023 until its removal in late 2024.

I issued a further provisional decision on 24 April 2025. I said:

"I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having considered the information provided by Mrs C in relation to the refinancing of her loans, I have changed the way I think Santander needs to financially compensate Mrs C to put things right. I've explained my new redress direction in the below section of this decision.

I've also carefully considered all the additional information Mrs C has provided about why she thinks the adverse information reported on her credit file has impacted her ability to secure a role in her industry. That said, I've not seen anything new that I've not already considered when reaching my previous decision.

Whilst I accept that the adverse information on Mrs C's credit file may have been a barrier for her applying for roles in her industry, as I've previously explained I can't reasonably conclude that, but for the adverse information, Mrs C would have been successful for the jobs she applied for. There are too many other variables that can impact the successful outcome of a job application. Our service can only make an award where there has been a direct financial loss or there is a reasonably foreseeable consequential loss as a result of the businesses actions. This is in addition to our powers to award compensation for any distress and inconvenience caused.

The direct loss suffered in this case relates to the higher interest rates that Mrs C was subject to on her borrowing following the markers on her credit file. I expect Santander to compensate Mrs C for the financial loss suffered. I also think it should pay compensation for

the distress and inconvenience caused as a result of its actions. But having said all that I'm not persuaded Mrs C has demonstrated that the loss she has described as a result of being out of work, flows directly as a consequence of what Santander did, warranting a separate award.

Putting things right

To account for the higher interest rates Mrs C has been subject to on her personal loans, Santander should pay her the difference in payments made (from 24 August 2023 to date) between the applicable interest rates and the rate I think she would have most likely got at the time. For this I've used the rate she obtained on another personal loan in April 2023 (that being 8.55%) as the closest comparable.

I've broken down what Santander needs to do to settle this complaint as follows:

- Pay Mrs C the difference in payments on a £5,000 loan between the interest rates of 8.55% and 27.9% (between 24 August 2023 and 10 January 2024). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.*
- Pay Mrs C the difference in payments on a £7,500 loan between the interest rates of 8.55% and 15.37% (between 4 January 2024 and 22 July 2024). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.*
- Pay Mrs C the difference in payments on a £8,800 loan between the interest rates of 8.55% and 9.84% (from 20 July 2024 to the date of settlement). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.*
- Santander should also pay Mrs C a total of £500 compensation. I understand it has already paid Mrs C £200 compensation, so it needs to pay her a further £300.*

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Further information in response to my provisional decision on 24 April 2025

Both parties responded to my provisional decision. Santander said it had nothing further to add.

Mrs C gave several reasons why she feels the £500 award doesn't fairly compensate her in the circumstances. In summary she said that Santander didn't take into account her vulnerabilities when handling her request for a payment arrangement. She feels that a payment arrangement should have been offered as a last resort and there were other options available to her, not explored by Santander under the principles of the Consumer Duty and irresponsible lending. She described the lasting impact she feels the payment arrangement will have on her – including the past impact on her job prospects. And as a result of her unemployment, she suffered a loss of £2,000 a month and was required to rely on the use of her credit card and additional loans during the time that the payment arrangement was recorded on her credit file. Mrs C said that she'd be reporting her case to the Financial Conduct Authority.

In response I asked Mrs C to provide details of all borrowing during the period the payment arrangement was reported on her credit file, as to date, some of the loans she's evidenced are omitted on the copy of the credit file she provided. And I wanted to be sure I'd not missed anything when making my final determination.

Mrs C responded with details about a loan that she took in September 2024. She borrowed £5,000 on an interest rate of 14.4%. She also explained that during her period of unemployment she had to rely more on her credit card for general spending. She said that she was unable to refinance to a 0% interest credit card until record of the payment arrangement was removed from her credit file. At which point she was able to transfer part of her existing credit card balance to a 0% interest credit card and she took a further loan for £7,000 on an interest rate of 11.66% to consolidate the remaining debt – included the rest of her interest-bearing credit card balance and her most recent loan.

Having considered the further submissions from Mrs C, I arranged for the investigator to email her on my behalf to explain why I don't think the information provided changes my opinion. The email said:

"The loan taken in September 2024 was a year after the payment arrangement was reported on your credit file. So, at this time the data was historic, in comparison to the loan taken in August 2023 which was taken at the time the payment arrangement was live. So, the impact of the payment arrangement would be different at the time each of these loans were taken. In addition, by September 2024 you had experienced a change in circumstances (having been out of work from at least July 2024) and by this point you had a history of other lending and loan refinancing. So, to conclude there are too many factors (aside from the impact of the historic payment arrangement) that could impact the interest rate you were given at the time of the loan in September 2024.

The Ombudsman notes that you were out of work from June 2023 to September 2023. You also told us that having started a new job in September 2023 you were out of work again by July 2024. Arguably the rate obtained on the loan taken in August 2023 could have also been partly impacted by your change in employment in the lead up (The same applies for the loan taken in September 2024). But you are still being awarded the full difference between the rate you obtained in August 2023 (when you were out of work) and April 2023 (when you were working)...[This is because it would be impossible to differentiate the proportionate impact of the live payment arrangement vs the impact of any change in personal circumstances – of which the impact of the former is likely to be greater]...Which the ombudsman feels is more than fair to you.

The Ombudsman has considered your comments about your [provider's name] credit card usage. This account was active before the payment arrangement, so the interest rate obtained was not impacted by the markers on your credit file. The Ombudsman has noted your comments about the increased usage and your inability to obtain a 0% interest balance transfer, however as explained above, your change in circumstances and credit history would have impacted your overall creditworthiness and it's not enough to directly link the impact you've described to Santander's actions.

So having considered everything the Ombudsman is satisfied that the award made to date fairly compensates you in the circumstances.

If you have any final comments or evidence in relation to this email, please let me know by 23 May 2025. The Ombudsman intends to issue her final decision once this deadline passes.

Lastly, I note you mention you'd like to refer your concerns to the Financial Conduct Authority (FCA). You are entitled to do so, but we won't have any involvement in that. If the FCA requires any information from our service, your consent to share data has been noted."

Mrs C responded with further reasons why she doesn't agree with my provisional findings to date. She asked for her complaint to be put on hold whilst she obtained a report from the FCA to support her case.

Our investigator explained why we can't keep cases open indefinitely. He explained the different functions of our Service and the FCA and why Mrs C's decision to contact the FCA has no bearing on our investigation.

As the final deadline for any further submission has now passed, I'll proceed to issue my final decision on this case.

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 carefully considered all of the submissions made by Mrs C. Mrs C hasn't made any new submissions that I've not already considered when reaching my provisional findings to date. So, I see no reason to depart from what I provisionally decided.

For the reasons I've explained, I'm satisfied the award made to compensate Mrs C for the impact of the incorrectly reported payment arrangement on her credit file is fair and reasonable in all the circumstances.

Putting things right

To account for the higher interest rates Mrs C has been subject to on her personal loans, Santander should pay her the difference in payments made (from 24 August 2023 to date) between the applicable interest rates and the rate I think she would have most likely got at the time. For this I've used the rate she obtained on another personal loan in April 2023 (that being 8.55%) as the closest comparable.

I've broken down what Santander needs to do to settle this complaint as follows:

- Pay Mrs C the difference in payments on a £5,000 loan between the interest rates of 8.55% and 27.9% (between 24 August 2023 and 10 January 2024). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.
- Pay Mrs C the difference in payments on a £7,500 loan between the interest rates of 8.55% and 15.37% (between 4 January 2024 and 22 July 2024). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.
- Pay Mrs C the difference in payments on a £8,800 loan between the interest rates of 8.55% and 9.84% (from 20 July 2024 to the date of settlement). This should be paid directly to Mrs C's nominated bank account, as well as a payment of 8% simple interest* calculated from the date of each overpayment to the date of settlement.
- Santander should also pay Mrs C a total of £500 compensation. I understand it has

already paid Mrs C £200 compensation, so it needs to pay her a further £300.

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My final decision

My final decision is that I uphold Mrs C's complaint against Santander UK Plc and direct it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 24 June 2025.

Arazu Eid
Ombudsman