

The complaint

Miss H complains Santander UK Plc (“Santander”) treated her unfairly when she was in financial difficulty and defaulted her credit card account later than it should have been defaulted.

What happened

Miss H has a credit card account with Santander. She also has a loan and an overdraft, but this decision will focus on the credit card only.

In 2021, Miss H began struggling with repayments to her card. Payments weren't clearing and she was making manual payments to the account. In December 2021, when having a conversation with Santander about the loan account she held with them, they made her aware her credit card was over the agreed limit.

Miss H had another call with Santander in January 2022. They completed an income and expenditure assessment which revealed Miss H was in a deficit of nearly £500. She said she was working less due to Covid and told Santander she'd be starting a new, full-time job in May 2022. They agreed a five month repayment arrangement where Miss H could pay £25 per month until June 2022. Santander refunded around £200 of interest and charges during this call.

There were some issues throughout with the repayment arrangement, but they were sorted along the way. In June 2022 when it was time for review, Miss H made Santander aware she was still struggling but would be returning to work with a higher income in July 2022.

In July 2022 there was another call. Miss H believed the repayment arrangement was still in place, but Santander confirmed it ended in June 2022, and that they hadn't received payment in June. She said she could begin to repay in August 2022.

Miss H called back in August 2022. A repayment arrangement was set up for £64 per month, which Miss H said she could afford. A full income and expenditure assessment was completed and she was showing as a monthly deficit of slightly over £200, and Santander discussed various options available to Miss H regarding her debt. Miss H explained she was behind with her council tax payments.

This carried on broadly in the same way until October 2024 when Miss H started to make fewer and smaller payments if at all. In May 2025, Santander defaulted the account. Prior to the default being applied, Miss H complained to Santander. She said she was unhappy that despite keeping up with the arrangements in place, Santander were recording missed payments on her credit file. Santander responded to the complaint saying it's an accurate reflection of how her account was being managed.

Miss H referred her complaint to our Service. During the period the complaint was being considered, Santander did default her account in May 2025. An Investigator here looked into things. They said Santander should backdate the default to September 2022 and recommended £150 in compensation.

Santander didn't agree. They said their internal policy is to default after 180 days if the customer isn't in an arrangement. They said because they'd suspended interest and charges, Miss H was making significant payments towards the arrears. They said how they believed Miss H's financial difficulties to be of a temporary nature and Miss H could consider adding a Notice of Correction to her credit file.

The Investigator issued a second opinion. They reiterated the point that the credit card wasn't affordable as Miss H was in a significant deficit, and at the point Miss H made Santander aware she couldn't keep up with the contractual repayments on a long-term basis, they ought to have been aware that a default was imminent. Santander responded with similar points as the initial opinion, and didn't agree.

The case was passed to me to decide. I tried to resolve the complaint informally with Santander. As a gesture of goodwill, they offered to backdate the default to February 2023. Miss H wasn't happy to accept this, so the complaint has now been passed to me for 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.

While I appreciate Santander's attempts to resolve this complaint informally, I can't agree that they have treated Miss H fairly in these circumstances. So, I've reached the same outcome as the Investigator for broadly the same reasons.

I think it's very important for me to mention – and remind both parties here – that informal repayment plans aren't intended to be long term solutions. Santander should've considered the long-term implications to Miss H of prolonged repayment plans, even if both parties are happy with such arrangements.

When Miss H first spoke to Santander, they were aware she had a monthly deficit of nearly £500. They agreed that Miss H could pay £25 per month until June 2022. But even this was an issue for Miss H and she began missing repayments or making them late. So, I think Santander ought to have been aware by September 2022 Miss H's situation was unlikely to improve. And when I look at what Miss H's minimum payments should've been, she was paying significantly less and would unlikely have been able to catch up on the arrears that accrued.

For Miss H to be meeting her contractual agreement with Santander, the total minimum amount owed between January 2022 and September 2022 was £973.90. Miss H paid £157.00 during that period.

The Information Commissioner's Office (ICO) Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies says the following:

"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears.

If this continues over time, the level of reported arrears will increase, which may result in the lender taking some form of action. This could include notification of their intention to report the account as “defaulted”

And...

“Should a permanent change in the payment terms be agreed by the lender, there will normally be a new agreement signed and the revised terms will be reported going forward. This may mean that a new limit, account and/or term is shown on your credit file and performance will be reported against that going forward.

As long as you comply with the revised terms, arrears will not accrue further or be shown although any arrears reported under the previous terms will stay on your credit file. Should a temporary reduction in the payment amount be jointly agreed between you and your lender, this ‘arrangement’ will be recorded at the CRAs.

This may also occur if there is a temporary change in terms (that is not part of the product) such as a payment holiday or change to interest only.

An arrangement may also be provided when a customer has agreed with the lender to make overpayments to clear historic arrears”

And...

“If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down. As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears.”

These specific extracts are relevant to Miss H's complaint. Santander say because they paused interest and charges, which is a positive step to support Miss H, her arrears didn't accrue to a place where she was six full months in arrears. However, they didn't issue her with a new credit agreement with 0% interest. So, every month from December 2021 onwards, Miss H was in breach of the initial agreement and not meeting the minimum repayment owed. As stated above, Miss H over the course of nine months had only repaid 16% of her contractual minimum repayments.

Santander have said they can't see how they've not acted in line with the ICO guidance, but they defaulted Miss H over three years after she first started paying less than the minimum repayment, when the guidance is three to six months. I can understand allowing Miss H more time when she's in contact with them, saying she's going to full-time employment shortly, but by the time they get to September 2022, and she's made no agreement, nor does it look likely that she'd have been able to make overpayments to clear the arrears. I think it's clear Miss H's situation wasn't likely to improve.

I'd also draw Santander's attention to CONC 7.3.5C which states:

- (1) *A repayment arrangement is unlikely to be sustainable if it has the result that the customer cannot meet their priority debts and essential living expenses.*
- (2) *Priority debts and essential living expenses include, but are not limited to, payments for mortgage, rent, council tax, food and utility bills.*

Miss H made Santander aware in August 2022 she was unable to make her council tax repayments and owed them money, yet they continued to put her on a repayment arrangement. They were aware she was in a large deficit and not meeting priority bills, which isn't in line with the guidance set out in CONC which Santander must abide by.

Having considered everything, and Miss H's impact statement shared with the Service, I'm satisfied that Santander have treated her unfairly, and the fact Miss H has had to deal with this for a significant amount of time, while being asked to make repayments to a debt she can clearly no longer afford has led me to agree with the Investigator that a compensation payment of £150 is a fair way to resolve the distress caused to Miss H.

I appreciate Santander say their internal policies and procedures wouldn't allow them to default the account sooner, and I can't ask them to change those, but I need to consider each individual case on its own merit, and I can't say that Miss H has been treated fairly in these circumstances. The purpose of a default is to reflect when a relationship has broken down – while I'm aware Santander doesn't agree it had because Miss H stayed in touch and made payments higher than £1, she couldn't afford to repay the contractual amount.

In fact, Santander were aware of arrears on Miss H's priority bills, and it was aware she had a significant deficit, yet it still continued to agree repayment arrangements which clearly weren't affordable. While the arrangements prevents Miss H from defaulting, it ought to have been clear to Santander by September 2022 at the latest that Miss H was unable to meet the contractual agreed amount and therefore the relationship had broken down and the account was in significant arrears.

Putting things right

Santander should pay Miss H £150 in distress and inconvenience and backdate the default to September 2022.

My final decision

It's my final decision that Santander UK Plc didn't treat Miss H fairly, and I'm upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 November 2025.

Meg Raymond
Ombudsman