

## **The complaint**

Mr and Mrs K complain that Santander UK Plc didn't make them aware that an agreed payment arrangement on their mortgage would impact their credit file.

## **What happened**

Mr and Mrs K have a residential mortgage with Santander. They fell into financial difficulty in 2020, and Santander agreed to apply a Coronavirus payment deferral to their account. A payment deferral was initially agreed for three months and then extended to cover a six-month period in total. Santander told Mr and Mrs K the Coronavirus payment deferrals wouldn't impact their credit file.

Following the six-month payment deferral period, Mr and Mrs K remained unable to pay the full contractual monthly payment amount. Santander agreed further reduced payment arrangements with Mr and Mrs K; continuing to review what was affordable for them, usually on a two month basis. This continued until late 2022, at which point Mr and Mrs K agreed to pay over the contractual monthly payment amount to start repaying their arrears.

In September 2022, Mr and Mrs K's fixed rate on the mortgage came to an end. Mr and Mrs K capitalised the remaining arrears to the mortgage debt in early 2023 and Santander then offered an "assist" rate to Mr and Mrs K, which they fixed for one year.

In early 2024, Mrs K complained to Santander about the arrears recorded on their credit file. She said Santander hadn't told them the payment arrangements would have a negative impact on their credit file, and it was preventing them from getting a better fixed rate deal with another lender.

Santander didn't uphold Mr and Mrs K's complaint. It said all the correspondence from its financial support team confirmed arrears may impact their credit file. One of our Investigators reviewed Mr and Mrs K's complaint. She said Santander had reported arrears correctly to their credit file, but she didn't think Santander had explained clearly enough that the arrangements after the payment deferral period would have an impact on their credit file. However, she thought that even if Santander had clearly told them about the impact on their credit file, Mr and Mrs K would have still entered into the arrangements. She didn't think Santander needed to amend Mr and Mrs K's credit file, but she recommended it pay Mr and Mrs K £150 compensation for the distress caused.

Mr and Mrs K requested an Ombudsman review their complaint, so it has been passed to me to decide. I issued a provisional decision setting out my thoughts to both parties, within it I said:

### ***What I've provisionally 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.*

*Mr and Mrs K argue that Santander didn't tell them that the payment arrangements they entered into would impact their credit rating.*

*The initial six-month payment deferral period correctly didn't impact Mr and Mrs K's credit file. And I can see it was clearly explained in correspondence regarding the payment deferrals that their credit file wouldn't be impacted.*

*Following this, Mr and Mrs K entered into further payment arrangements with Santander. It was important that Santander outlined that these payment arrangements would operate differently to the previous deferrals – and that it would be reported to their credit file. Santander needed to ensure Mr and Mrs K had a full understanding of the consequences of the payment arrangements so they could make an informed decision about whether it was the best option for them.*

*Santander have been unable to provide the call recordings from the time the initial payment arrangement was put in place. While the contact notes say, 'Credit File, OVI bp fee has been discussed', it's difficult for me to know what this entailed and whether the differences in how the deferral period and the payment arrangement is reported were clearly explained. We've not been provided with any correspondence from the time of Mr and Mrs K agreeing the first payment arrangement which shows this was explained either.*

*On balance, I'm not satisfied that Santander did enough to explain the payment arrangement would be reported differently to the previous payment deferrals at the time Mr and Mrs K first agreed an arrangement. But even if it had, I've thought carefully about whether I consider Mr and Mrs K would have acted differently - and I'm not persuaded that they would have.*

*Mr and Mrs K have explained their difficult circumstances following the pandemic and said what means they had were spread thin. Mr and Mrs K have said they didn't want to ask for family support, but they may have explored it further. Mr and Mrs K confirmed their income and expenditure with Santander and agreed the maximum they could afford before agreeing each arrangement. Bearing in mind the limited options Mr and Mrs K described - and that they were already paying what they could towards the mortgage - I think they would have still gone ahead with the payment arrangements even if they had understood the impact to their credit file.*

*As I think that Mr and Mrs K would have still gone ahead with the payment arrangements, it's right that these arrangements are reported on their credit file. However, when Santander reports, it needs to do so fairly and accurately. I don't think it has done this here.*

*Having looked at a copy of Mr K's credit file, I can see it shows 'OK' up to November 2020 – which is in line with the Covid deferral period. It then records 'AA' (early arrears) from December 2020 to March 2021, and 'BB' (sustained arrears) from April 2021 to April 2022. From May 2022 to March 2023, it records 'AR' (agreed arrangement). This is with the exception of June 2022 which shows again as sustained arrears ('BB').*

*I don't think this was fair or accurate reporting. Mr and Mrs K were in arrears following the end of the payment deferrals, but they had agreed reduced payment arrangements with Santander. It was therefore accurate for Santander to report that Mr and Mrs K were in an arrangement to pay ('AR') during this time. This would be a fair and accurate reflection of Mr and Mrs K's circumstances and their adhering to the agreed arrangements to make reduced payments. I don't consider it was reasonable of Santander to show no arrangement was in place, or that Mr and Mrs K weren't managing their mortgage in an agreed way until May 2022.*

*I've put this to Santander, and it has agreed this wasn't accurate reporting and it will correct the necessary months to show Mr and Mrs K were in an arrangement. Santander has raised*

*that August 2021 to January 2022 was accurately reported as arrears, as an arrangement either wasn't agreed, or kept, during those months.*

*I've reviewed the arrangement and transaction history notes. I agree that no arrangement was in place in August 2021 and January 2022. It also appears that no arrangement was in place in March 2022. So, it is accurate for Santander to record these months as in arrears, as no arrangement was in place.*

*However, I can see overpayment arrangements were agreed and paid in September 2021 to December 2021 – so I don't agree with Santander that it was fair to report these months as arrears.*

*In my view, Santander should amend Mr and Mrs K's credit file to show they were in an arrangement from December 2020 to March 2023. This is with the exception of August 2021, January 2022 and March 2022 which can report as arrears.*

*I appreciate Mr and Mrs K's main concern here is that Santander's credit file reporting has prevented them from securing a better deal on their mortgage. While I empathise with their frustrations and I'm sorry to learn of the difficulties they've had, I can't say that Santander shouldn't record the arrangements on their credit file. That is an accurate reflection of how the mortgage was managed – and how I consider it would have been managed even if the impact to their credit file was understood. And I don't consider that it would have changed what options were available to Mr and Mrs K if Santander had correctly reported arrangements to their credit file instead of arrears. The loan would still be reported as not up to date and in an arrangement which would likely impact the options available to them. I'm sorry this will likely be disappointing to Mr and Mrs K.*

*But I do think Santander has caused Mr and Mrs K a level of distress here by not clearly explaining the impact to their credit file in the first place, and then not reporting an accurate reflection of how they've managed the mortgage. Being given this information at the outset would have reduced the upset they've been caused when they later found out. As well as the inconvenience they've been caused by needing to query the position. So, it's only right Santander compensate Mr and Mrs K for that avoidable trouble and upset. I think £300 is fair compensation in these circumstances.*

I gave both parties two weeks to provide any further submissions they wanted me to take into account. Santander agreed to my provisional decision. Mr and Mrs K didn't respond.

### **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.

Neither party has provided any further submissions for me to consider, so I see no reason to depart from my provisional findings.

### **My final decision**

My final decision is that Santander UK Plc should pay Mr and Mrs K a total of £300 compensation in relation to this issue. If it has already paid some or all of this amount to Mr and Mrs K, it can deduct this from what it still needs to pay.

I direct Santander UK Plc to amend Mr and Mrs K's credit file to show they were in an agreed arrangement from December 2020 to March 2023, except for August 2021, January 2022 and March 2022 which can be reported as in arrears.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 7 October 2025.

A handwritten signature in black ink, appearing to read 'E. Taskas', with a stylized flourish at the end.

Emma Taskas  
**Ombudsman**