

The complaint

Mr L complains that Santander Consumer (UK) Plc trading as Mazda Financial Services didn't close his finance agreement when it should've done which resulted in adverse information being reported on his credit file.

What happened

Mr L was supplied with a car and entered into a personal contract purchase agreement with Santander. At the end of the agreement Mr L decided to return the car rather than pay the balloon payment. He completed the forms and was advised that the car would be collected.

The car was collected on 24 February 2025.

In early April 2025 Mr L spoke to his bank to arrange a new mortgage. His application was rejected because of negative information on his credit file. Mr L checked his credit file and discovered that it showed him as owing a balloon payment to Santander and two missed payments.

Mr L contacted Santander, who advised him that his car had been sold on 25 March 2025 and that this should not have impacted his credit file. It referred the matter to the credit amendments department.

Mr L was subsequently rejected for a loan, and his credit card limit was reduced. He contacted Santander to raise a complaint.

Santander issued a final response on 21 May 2025. It said that due to the agreement having been left open whilst it arranged the sale of the vehicle, Mr L's credit file had been negatively affected. Santander said it had been waiting for the sale proceeds to be allocated to the agreement so it could close it down. Santander confirmed that the sum of £1214.37 had since been refunded to Mr L, the balance had been updated to settled and this would reflect with the credit reference agencies within 28 days. Santander apologised for the distress and inconvenience caused and offered compensation of £500.

Mr L remained unhappy and brought his complaint to this service. He said he didn't think the compensation offered was fair given the impact on his credit rating and the distress caused.

Our investigator didn't uphold the complaint. She said the compensation was fair and reasonable.

Mr L didn't agree so I've been asked to review the complaint.

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 know it will disappoint Mr L, but I agree with the investigator's opinion. I'll explain why.

I've read and considered the whole file but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a particular point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Santander has acknowledged that it made an error here by not closing the finance agreement when it should've done. So I won't be commenting further on what went wrong, Instead, I'll focus on whether Santander has done enough to put things right and whether the compensation offered is fair and reasonable, taking into account the impact of the error on Mr L.

Mr L has explained to this service that he was financially impacted by the error. In particular, he was declined for additional funding on his mortgage, declined for a loan and his credit card limit was reduced. Mr L has provided evidence from his mortgage broker which confirms that the open credit agreement with Santander and the two missed payments was the reason for his mortgage application being declined. Mr L has also provided a copy of his credit report which shows that prior to the issue with Santander, there was no adverse information.

Based on what I've seen, I'm satisfied that it was Santander's delay in closing the agreement which caused the negative information to be reported on Mr L's credit file and the resulting impact on his credit applications.

I've taken account of what Mr L has said about his credit applications and I've thought about whether the compensation offered by Santander is fair and reasonable in the circumstances. I appreciate that it must've been both frustrating for Mr L when his application for a mortgage was declined. However, I haven't seen any evidence to suggest that the application was urgent, or that there were immediate or severe consequences of the application being declined.

Likewise, in relation to the credit card limit being reduced. I appreciate that this must've been distressing for Mr L, but he has told this service that he had another credit card available to use. And Mr L has been able to increase the limit again, so the impact wasn't long lasting. I do understand that the cashback that Mr L would otherwise have received was affected as a result of the credit limit being reduced as he wasn't able to spend so much on the card, but I think any loss of cashback has been taken account of in the overall award of compensation.

In relation to the loan applications, I can see that Mr L applied for these during the 28 days that Santander had told him it would take for his credit file to be amended. So whilst I appreciate that Mr L would've been caused some inconvenience here, I think it's reasonable to say that he ought to have anticipated that there would be a problem with any applications for credit pending amendment of his credit file.

Finally, Mr L has said that the negative information on his credit file damaged his reputation and might impact on his ability to obtain future roles, leading to a possible loss of earnings. I appreciate the point that Mr L makes here but there's no evidence to show that his reputation was in fact damaged and I whilst I understand his concerns about future roles, this isn't something that has happened at the time of writing this decision and I'm unable to consider potential losses in the future.

Taking everything into account and for the reasons I've explained above, I think the compensation of £500 offered by Santander is fair and reasonable.

My final decision

My final decision is that I don't uphold the complaint.

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

Emma Davy
Ombudsman