

## **The complaint**

Mrs K complains that Santander Consumer (UK) Plc will not agree to accept reduced payments on a finance agreement.

## **What happened**

In May 2021 Mrs K entered into a five-year conditional sale agreement for a used car. She paid a deposit of £1,350 and borrowed the balance of the purchase price of £7,695 which she was to repay at just over £136 a month. At the end of the five-year term, ownership of the car would be transferred to her.

Mrs K made payments in full and on time until early 2025. She explained that her mortgage payments had increased significantly and that she could no longer afford to make other payments. She had negotiated a reduction in payments on another loan and on her credit card, and asked Santander to agree a similar arrangement. She wanted it to reduce her monthly payments to around £70.

Santander reviewed Mrs K's income and expenditure but did not agree to her proposal. It concluded that accepting that proposal would amount to agreeing to an arrangement which was not affordable for her. It was under a duty to lend responsibly, and agreeing to accept £70 a month would breach that duty. Santander discussed the possibility of ending the agreement early, part exchanging the car and of Mrs K selling it privately, but no agreement was reached.

Mrs K referred the matter to this service, where one of our investigators considered what had happened. He did not recommend that the complaint be upheld; he largely agreed with what Santander had said to Mrs K. Mrs K did not accept the investigator's assessment and asked that an ombudsman review the 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.

Having done so, however, I have reached the same overall conclusions as the investigator did, and for similar reasons.

I have a good deal of sympathy for Mrs K. I have no doubt that a significant increase in her monthly mortgage payments will have affected her ability to meet her other obligations to lenders, including Santander.

Where a borrower is experiencing financial difficulties, we would expect a lender to approach the situation with forbearance and due consideration. In practice, that might mean, for example, accepting reduced payments, agreeing to a payment break, or negotiating a wider refinancing. The aim should however be to bring accounts up to date, without creating further difficulty. And, to some extent at least, lenders have a degree of commercial discretion in deciding what arrangements they are prepared to accept.

In this case, I can understand why Santander has taken the view that a reduction in monthly payments is unlikely to resolve matters and why doing so may make things worse for Mrs K. I do not have full details of her mortgage arrangements, but it is unlikely that the increase in her payments – which she says is the main cause of her difficulties – is likely to be reversed in the foreseeable future. It is unlikely too that Mrs K will have been able to repay what is due under the conditional sale agreement by the time it comes to an end in May 2026.

The investigator noted too that a car is generally a depreciating asset. Car finance agreements recognise that and are structured with it in mind. Extending the term of an agreement is likely to increase the risk that, at the end of the initial term of the agreement, the borrower may well owe more than the car is worth.

In my view, therefore, Santander has not acted unfairly in this case. It has put forward alternative options to a reduction in monthly payments and which it believes are more likely to provide Mrs K with a long-term solution. I don't believe therefore that it would be fair for me to require Santander to accept Mrs K's proposals, but I would encourage both sides to seek to negotiate a mutually acceptable arrangement.

### **My final decision**

For these reasons, my final decision is that I do not uphold Mrs K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 1 December 2025.

Mike Ingram

**Ombudsman**