

complaint

Ms V complains that Santander UK Plc recorded a default on her credit file.

background

Ms V has a current account with Santander which had an overdraft limit of £1,500. In February 2017 the overdraft facility was removed and she entered into an arrangement to repay £200 per month to reduce her debt. No payment was made on 27 May and she contacted the bank on 1 June to say she had been on holiday and to pay £200. She next missed the 27 July payment, but she paid £200 on 3 August.

She spoke with a bank official who told her that the bank couldn't reset the payment arrangement as she had told him she was using her credit card to make routine payments so she could pay off her current account debt. He asked that she to call back within 48 hours. She said that she may be able to obtain money from her parents in order to clear the debt. She didn't call back and her account was defaulted on 30 September after a notice had been issued on 24 August.

Ms V's complaint was rejected by the bank which said it had followed the correct procedures. It was considered by one of our investigators who didn't recommend it be upheld. He noted Ms V's comments that the default was disproportionate and asked the bank if it would be prepared to place a late payment marker on her file instead, but it didn't agree. The investigator concluded that he couldn't say the bank had been wrong to default the account.

Ms V didn't agree and said that looking at her dealings with the bank over the time she had an account it was unreasonable to say the relationship had broken down. She thought the impact on her credit rating was severe and didn't reflect the reality of what had happened. She said that when she had spoken to the bank after missing two of the earlier payments she didn't get the sense that being a few days late was terribly important. As such she wasn't prepared for the reaction on 3 August. She said she hadn't received the default notice when she cleared the debt on 3 October. She said it was obvious to the bank that she was intending to clear the debt.

my findings

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

Ms V finds herself in an unfortunate situation. Having reviewed the evidence and representations I concluded the bank had followed correct procedures, but I asked it to review the matter and reconsider the default. It did so, but it said that it had done nothing wrong and it had no reason to remove the default.

I have taken note of Ms V's view that the default is disproportionate to the missed payments but her lack of response to the bank at the key moments meant that it began default proceedings. Ms V entered into an arrangement under which she agreed to make regular payments on time in order to clear off her debt. She missed several payments and even if she was only a few days late, she failed to meet the terms of the agreement. From the bank's perspective in early August she had broken the agreement twice.

When Ms V spoke to the bank she was told that the arrangement couldn't be reset and she was asked to call back within 48 hours, but the bank has no record of her calling it. Without a response it had no reason to know that Ms V would be able or even willing to pay off her debt. So it took steps to default the account.

It then issued default letter notifying Ms V of its intention to default the account. This was sent to the correct address. It made it plain that the bank planned to advise credit reference agencies that she had defaulted her account. It put her on notice that it would do so in 28 days' time if she didn't repay her arrears contacted it to come to an agreement to repay the debt in full. I appreciate Ms V says she didn't receive this letter, but I cannot hold the bank responsible for that.

While I appreciate she believes the bank's response to her missing two payments was disproportionate it acted in the absence of a response from her and without any knowledge of her intentions. It gave her due warning of what it planned to do and in the circumstances I cannot conclude it acted wrongly.

I have listened to the call in early August during which the call handler concluded that because she was meeting everyday living expenses using her credit card that it would be wrong to reset her arrangement. The bank has duty to ensure a customer's debt is not resulting in them failing to make essential payments. I can see why the call handler took the view that they did from what Ms V said. I can see an alternative interpretation that Ms V was using her credit card to make payments, as many of us do and that she wasn't living off debt. However, I cannot say that the view taken by the call handler was wrong.

It is regrettable that a default was issued and I have every sympathy with Ms V, but I cannot conclude the bank did anything wrong.

my final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms V to accept or reject my decision before 11 May 2018.

Ivor Graham
ombudsman