

## **complaint**

Mr H complains about how Santander UK Plc treated his mortgage account when it paid outstanding service charges to the freeholder of his leasehold property.

## **background**

Mr H has had a mortgage with Santander for many years. His mortgage is secured over a leasehold property. In 2013, his freeholder took Mr H to court over unpaid service charges and secured a judgment for around £22,000. The freeholder wrote to Santander saying that it was intending to forfeit Mr H's lease and so Santander paid the debt on Mr H's behalf and added it to his mortgage balance (called 'capitalising').

Santander originally treated the £22,000 as arrears. Mr H was already in arrears by around £5,000 and his account was with Santander's solicitors. Mr H came to an arrangement for repayment. In 2016 Santander wrote to Mr H saying that it shouldn't have treated the service charge debt as arrears – it should just have added it to the mortgage balance. It did that in 2016. It also checked to make sure that no additional arrears charges had been added to Mr H's account because of the service charge debt and amended his credit file.

Mr H complained. He said that because of this he'd been in arrears for around 18 months longer than he should have been – without the service charge debt his arrears would have been cleared much sooner. He said that he'd been refused other credit because of what was on his credit file.

Santander offered Mr H £550, which it paid into his bank account. Our investigator thought the steps it had taken were reasonable. As Mr H didn't agree, he asked for an ombudsman to review his complaint.

## **my findings**

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

Santander now accepts that it shouldn't have treated the £22,000 service charge debt as arrears. The issue for me to decide is what it needs to do to put matters right.

Mr H had been in substantial financial difficulty, on and off, for many years. By 2013 he was already in arrears of £5,000. So Santander's actions didn't place him in arrears when he wouldn't have been otherwise.

Mr H's account was already with solicitors so the service charge debt didn't lead Santander to take any additional action either. Nor did it charge any additional arrears fees that wouldn't already have been charged.

I'm therefore satisfied that Mr H hasn't suffered any financial loss as a result of this. Nor has he been subjected to recovery action that Santander wouldn't otherwise have taken.

However, it did mean that he was in arrears for longer than he otherwise would have been. Santander has said that it has amended his credit file to show the position it would have been in without the service charge debt, which I think is fair.

Mr H says that he was refused an application for credit elsewhere because of this. He hasn't given us any evidence of the refusal or the reasons for it. But given that he already had a long history of arrears – and would have done even without the service charge debt – I don't think it's likely that the service charge debt was the sole reason for the refusal of credit.

I do agree that Mr H was caused some worry and upset by this when he found out what had gone wrong. He was caused inconvenience by having his account in arrears, and managed by the collections department, for longer than it would have been – though I note that soon after Santander did capitalise the debt, in 2016, he fell back into arrears again anyway. Santander has already paid Mr H £550 compensation, and in all the circumstances I think that's fair.

### **my final decision**

For the reasons I've given, my final decision is that I think Santander UK Plc should pay Mr H £550 – which I understand it has already done.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 September 2017.

Simon Pugh  
**ombudsman**