

complaint

Miss H complains that Santander UK plc mishandled her attempts to repay her credit card debt, which affected her credit file. She also complains about the interest rates and charges applied on her account.

background

Miss H had a credit card account with Santander, which had been running for some years. She explains that, having received a lump sum severance payment, she decided to pay off credit card debts. She called Santander to ask about paying a reduced lump sum to settle her account (known as a "short settlement"). Miss H says that the person with whom she spoke told her that she might be able to pay a short settlement of between 65% and 75% of the total debt.

Miss H says that she was later unable to speak with that person again and was sent conflicting information and letters signed with names that did not appear to relate to real people. She says the way Santander dealt with her caused her to be unable to complete a short settlement without affecting her credit file.

She also says that Santander unfairly registered a default on her account and has applied unfair interest rates and charges over the years.

Santander did not accept that it had treated Miss H unfairly and, as things were not settled, Miss H brought her complaint to this service where an adjudicator investigated it. From the evidence, the adjudicator was not persuaded that Santander had treated Miss H unfairly in the way it had dealt with her or in the information it had registered on her credit file about the account. Because of that, the adjudicator did not recommend that the complaint should succeed.

Miss H did not agree and made further representations. The main points of those were, in summary:

- She does not see the ethical and moral reasoning behind the increases that Santander made to the interest rates charged on her credit card. Other lenders have not done this.
- Santander has not provided a proper reason for these increases, and the relevant terms and conditions of the account are too loosely worded to justify the changes.
- She could only opt out of the interest rate increases if she cleared her balance, which was not possible and did not address the broader problems of debt. It was clear that she was close to her credit limit and was not managing the account well, so Santander should not have raised rates and reduced the credit limit.
- The amounts already refunded by Santander are because those charges should not have been applied while the account was in query. Santander would not have given the refund if that had not been the case.
- She was not initially told that the short settlement would reflect in her credit file for six years, and this was only made clear the next week when she called Santander to get the exact figure and make the payment.

- Santander put a block on her account without telling her. She was told that no interest or charges would be added, and that she need do nothing at all while Santander was following up her enquiries about what she actually owed and whether something could be done for her that would not affect her credit rating.
- The reason she did not pay the short settlement by the due date was because she was sent letters giving different figures and was waiting for clarification from Santander.
- She has also experienced difficulty getting access to her account online; she was told that this is because of the block on her account, not because of any difficulty regarding a new login as Santander has suggested. She has not received new credentials for online banking.
- Santander offered her a short settlement – she does not accept that a bank could make a mistake about something like this. At no time did Santander tell her it had made a mistake in offering the short settlement.
- It is untrue and defamatory for Santander to suggest she was in financial difficulty, particularly as she was not behind with her payments at the time.
- Other credit card lenders allowed her to settle by paying 60%-70% of her debt, without delay and without affecting her credit history. Her experience when trying to do the same thing with Santander was quite different.

my findings

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

Short settlements are offered by creditors when it is accepted that the borrower is in some difficulty and cannot afford to repay their debt in full, but is able to offer a lump sum for a lesser amount as settlement of their liability.

It appears that, in terms of its own internal guidelines, Santander made a mistake when offering the short settlement to Miss H because this is normally only available where the customer has missed at least three repayments. Miss H had not missed three repayments at that time.

But Santander stood by its offer, and remained willing to accept it provided Miss H paid it within the stated period. So Miss H was not caused any loss by Santander's mistake, and Santander offered her £55 in recognition of its error.

A short settlement would have been reflected in the information on Miss H's credit file had she paid it, and I don't see that was unreasonable in this case. A short settlement is accepted in discharge of liability for a debt, but is not the same thing as repaying the debt in full.

Miss H has told us that other creditors were willing to offer her more generous short settlement terms and to not register any information that would adversely affect her credit file. But, even if that is so, this did not mean Santander had to match them.

In the event, Miss H did not make the short settlement payment. She explains that she had received letters giving different figures and, having phoned to query that, was waiting to get a definitive figure.

She says that she was told she did not need to do anything further in the matter until Santander got back to her, which she interpreted as meaning that she would not need to make any repayments that fell due on her account until she heard from Santander with the final figure. She does not say that Santander told her to stop making repayments, or that she checked with it before doing so.

There were three late payments on the account, which Santander registered on Miss H's credit file. It did not register a default in respect of the debt. Overall, I do not consider that these registrations were unfair or inaccurate.

A block was placed on Miss H's account after Santander says Miss H told it that she was experiencing financial difficulty. That was after Miss H had contacted it seeking a short settlement of her debt.

I'm satisfied that the block prevented any new spending on the account, but did not create any adverse credit information or prevent Miss H from looking at the account online. Miss H tried to use her card almost two years later, and became aware of the block. Santander has offered to remove the block if Miss H wants that.

New login details were sent out to Miss H in March 2015, though I accept that Miss H says she did not receive them. Santander has said that it can send further login details if Miss H requires them, so that she can access her account online. It has offered to help if she experiences difficulty accessing the account once she receives the new login. That seems reasonable in the circumstances.

I realise that Miss H is very unhappy that Santander made some increases in 2008 and 2009 to the interest rates that applied on her account, and also trimmed the credit limit from £4,000 to £3,800. Those changes were made as a result of risk reviews that Santander made at the time.

Miss H was not bound to accept the higher interest rates; she was entitled to opt out by stopping using the card and repaying the existing balance at the old rate by monthly repayments as before. I am not persuaded that Santander acted unfairly in that.

Charges and interest were suspended for the period during which Santander was expecting Miss H to make the short settlement payment, and only resumed when that did not happen. There have also been charges and interest refunds in 2015. Whilst Miss H believes that this was done because Santander accepted that it was wrong to make the charges in the first place, I am not persuaded (by the evidence) that these amounts were charged in error.

Santander has offered to consider some other form of repayment arrangement which would not involve the same credit reference implications as a short settlement, if Miss H will complete an income and expenditure form. Miss H prefers not to do that, which is her choice to make, but this will limit her repayment options.

Taking everything into account, I find that Santander does not have to do anything further in settlement of this complaint.

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 Miss H to accept or reject my decision before 24 March 2016.

Jane Hingston
ombudsman