

complaint

Miss H complains that Santander UK Plc reported adverse information on her credit file, and failed to warn her about how an arrangement to pay would be reported on her credit file.

background

Miss H had a current account with Santander, which was overdrawn by around £1,950. In February 2018, by which time the account was with Santander's collections and recoveries department, Miss H discussed her options in a phone call with Santander. The result of the phone call was that she entered an arrangement to pay. Some time later, when her mortgage was not renewed, she discovered adverse information about her account on her credit file. She complained to Santander, and subsequently to this Service, blaming Santander for the decision not to renew her mortgage. She said that if she had been made aware of the implications of having an arrangement to pay, she would not have chosen one. Instead, she would have got a credit card, or asked her mother to pay off the entire debt.

Santander said that its affordability checks had shown that Miss H could not have afforded to use a credit card to repay her debt. As Miss H had also not been able to afford the arrangement to pay on her own, she had told Santander that her mother would pay her half of each monthly payment. Santander had agreed to that in principle, but had told her that the arrangement to pay would initially last for only two months. It had told Miss H that after the second payment, she would have to contact Santander so that Santander could confirm that she could still afford the arrangement and that her mother was still helping her. But Miss H had not got in touch, and so she had broken the terms of the arrangement; also she had made some late payments. So the account had been reported to her credit file accurately.

However, Santander accepted that it could have given Miss H more details about the impact the arrangement to pay would have on her credit file. It offered her £100 as a gesture of good will.

Our investigator did not uphold this complaint. She listened to the call recording, and concluded that Santander had made it clear that the arrangement to pay would only last for two months, unless Miss H contacted Santander to confirm the payments were still affordable. If she did that, then the arrangement would be extended. Otherwise, the arrangement would expire and the account would be defaulted. The call handler had also mentioned that there would be some negative information on Miss H's credit file, but the investigator thought that this could have been explained more clearly. She thought £100 was fair compensation for that, however, since Santander had also told Miss H, in the phone call and in a letter, that it would report the account. The investigator concluded that the information Santander had reported on Miss H's credit file was accurate and a true reflection of the history of the account. Miss H had made two late payments, so these had to be included in her credit file. These late payments also meant that the arrangement to pay markers might not be the only reason why her mortgage had not been renewed.

The investigator also said that Santander's income and expenditure check had shown that she could not afford a credit card, and said there was no evidence that Miss H told Santander that she could ask her mother to pay the whole debt.

Miss H pointed out that although she had not contacted Santander (as she hadn't understood it was important), she had still continued to make monthly payments. She

insisted that she would never have agreed to the arrangement to pay if she had been told how it would be reported. She asked for an ombudsman to review her case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have listened to the call recording. The call handler mentioned that in the previous month Santander had gone through Miss H's income and outgoings and found that she was left with a deficit of £152. The call handler asked Miss H if this was accurate, and she agreed, although she added that her partner had been helping her with her bills. Miss H went on to say that she wanted "to set up a payment to get this debt cleared."

The call handler asked her what she could afford to pay, and Miss H replied "It definitely needs to be less than £100 a month." The call handler said that would not be enough to clear the debt within 15 months, being the maximum period that Santander would allow for the debt to be paid. The call handler suggested instead that Miss H make token payments of £1 a month. This would mean the account would be defaulted, and this would be reported on her credit file for six years.

That did not appeal to Miss H, and she asked how much she would need to pay each month to clear the debt in 15 months. The answer was £130.17. Miss H said she would rather pay that. The call handler asked her how she could afford it, and Miss H said that she would ask her mother to pay half, having already spoken to her about it. The call handler accepted that, but said that because Miss H would be receiving help from her mother she would have to call Santander back after her second payment. This was to confirm that the arrangement was working, and then the arrangement would be "reset." The call handler added: "if you forget to call us back then it will expire, so please remember to call us." Otherwise the account would be defaulted. A minute or so later, the call handler repeated that after the second payment, due in April, it would be necessary for Miss H to call Santander again. This was repeated again near the end of the call.

I think that the need to call back after two months, and the consequences of not doing so, were explained clearly, and Miss H appeared to indicate that she understood what she was being told. It's not in dispute that she didn't make that call, so I don't think Santander made an error by reporting the account as in arrears in April and May. (The arrangement was reinstated again after that, and was reported as such from June. Another call she was supposed to make in November was not made, and so this was reported again in December.)

To conclude my summary of the call, the call handler told Miss H that charges and interest would still be frozen (the account had already been in collections). She added that there would already have been some "negative impact" Miss H's credit file while the account had been overdrawn, and then she implied that this would no longer be the case now that the arrangement was in place.

I don't think that was a helpful comment to make, because it implies that a record of an arrangement to pay is not adverse information when recorded on a credit file, which is not the case. This is the reason for Santander's offer of £100. The letter which was subsequently sent makes it clear that an arrangement to pay may be reported to a credit reference agency, although it does not explain that a lender may regard this as negative information.

Miss H makes the point that £100 is not enough compensation for her mortgage not being renewed, but I do not know whether the reporting of the arrangement to pay would have been enough, by itself – if no payments had been late – to result in the decision not to renew her mortgage. That may have been the result of the late payments.

Miss H argues that she would not have agreed to the arrangement to pay in the first place if she had understood how it would look on her credit file, and so the issue of late payments would have been moot. She has told us that she had considered applying for a credit card and carrying out a balance transfer as an alternative solution, but that Santander had advised her that she could not afford this. That was not discussed in the call I have listened to, but there is an entry in Santander's collections notes indicating that it was discussed in January, when Santander went through her income and expenditure. There is no record of her ever telling Santander that her mother might pay the whole debt as an alternative. However, there is a note to the effect that Santander offered to convert the debt into a loan, but that Miss H declined this offer. She might have accepted it, if she had known that a loan would look better than an arrangement to pay. But I think the loan repayments would probably still have been made late, for the same reason that the payments under the arrangement were late. That might well still have been enough to result in the decision to decline to renew her mortgage. So I cannot be satisfied, on the balance of probabilities, that Santander is responsible for that decision.

my final decision

My decision is that I do not uphold this complaint. I leave it to Miss H to decide whether to accept Santander's goodwill offer of £100.

Under the rules of the Financial Ombudsman Service, I'm required to Miss H to accept or reject my decision before 12 April 2021.

Richard Wood
ombudsman