

complaint

Mr G and Miss S complain that they were advised by Santander UK Plc to reduce the monthly payments on their mortgage without the consequences of doing so being properly explained. As a result the arrears recorded on their credit files have affected their ability to get credit. They also complain that Santander UK Plc won't allow them to switch to a more competitive mortgage product until the arrears have been cleared for twelve months.

background

Miss S has brought this complaint on behalf of herself and Mr G.

In early 2016, Miss S and Mr G were struggling to manage financially. Mr G had been out of work for some time. Miss S was in employment but her salary was relatively small. They were able to maintain their monthly contractual mortgage payments (CMP) of just over £1,000 with the help of a relative who was lending them £500 a month.

In March 2016 Miss S called Santander to say they would be in difficulty making their payment that month because of an unexpected additional expense. During a call on 18 March 2016, Santander's adviser took her through their income and expenditure. There was a monthly shortfall of £500. She asked how they had been managing and Miss S explained about the loan of £500 a month they were currently receiving from their relative. The adviser suggested, as an alternative, they could reduce their CMP for two months. Mr G and Miss S decided to do this.

The situation came up for review in May 2016, when Miss S spoke to a different adviser. She said that, as there had been no change in their circumstances, the arrangement couldn't continue any longer. She advised Miss S to pay whatever they could afford but said Santander couldn't come to a formal arrangement until their circumstances changed.

Miss S says by this time they had stopped taking payments from their relative and he had put the money in to a long-term savings plan so couldn't get it back. Miss S feels that the first adviser should have explained in more detail the impact on their credit files of the shortfall in the monthly repayments. Mr G is now back in work and they are currently paying the full CMP and paying off the arrears. But Santander has told them it won't consider allowing them to switch to a new mortgage product with a lower interest rate until twelve months after the arrears have been cleared.

Miss S argues that the agent she spoke to on 18 March didn't give her the level of detail she should have done to enable Mr G and Miss S to make an informed decision about how to manage their mortgage payments. She says Santander should have set out in writing what was being proposed, so they had the chance to consider it properly before they refused further help from their relative.

my findings

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

I have listened to both the calls in March and in May 2016. The earlier call lasted about 30 minutes. The agent Miss S spoke to took detailed information about Miss S and M G's current situation. In addition to the mortgage, they had unsecured debts on six credit cards

totalling £27,400. Miss S says she had come to an arrangement with two of the credit card companies and was paying £2 a month. No payments at all were being made on two of the cards and payments of £100 a month were being made on the other two.

The agent suggested they should get in touch with either the CAB or a debt management company for advice on how to manage their finances. She made it clear that the two month reduction in CMPs she was suggesting was to allow Mr G and Miss S to try and sort out their financial situation. She also explained the reduced payments would go on to their credit files. It's true she didn't describe in any detail what the consequences of this would be, but I don't think she needed to, given her suggestion that Mr G and Miss S use the time to seek expert advice.

I wouldn't expect the agent to confirm in writing what she had told Miss S. Miss S was able to engage fully in the discussion and gave every indication that she understood what was being suggested. It wouldn't be practical for Santander to confirm in writing the matters discussed in every call with one of its agents. Had Miss S wanted to clarify any aspect of what the agent was saying it was open to her to ask; either during that call or to phone back if she wasn't sure about, for example, what the consequences of the reduced payments being recorded on their credit files might mean. She also had the option of going to the CAB or a debt management company, as the agent had advised.

It is clear that the second adviser Miss S spoke to in May took a different view. She didn't think Mr G and Miss S should have been offered reduced payments for two months. But I think she was speaking with hindsight. As it happened, the two month arrangement hadn't been productive in the sense that nothing had changed during that time. But I don't agree that the original adviser was wrong to give Mr G and Miss S two months breathing space to see if they could sort things out.

Miss S had told the first agent that the help they were receiving from a relative was a loan and wasn't guaranteed. So I think it made sense to look at alternative ways of managing the mortgage payments that didn't depend on a source of money that might stop at any moment.

Miss S says that as a result of reducing their payments for two months they were left in a worse position and were at risk of losing their home. I can find no evidence to suggest that Santander was contemplating possession proceedings. I accept that this was a real concern to Mr G and Miss S, but that would always have been the situation as long as they were in a precarious financial situation.

It seems likely that their credit rating will have been adversely affected by the large amount of unsecured debt in any event. I also consider that there is nothing unusual in Santander's requirement that Mr G and Miss S's arrears should have been cleared for a minimum of twelve months before it will consider allowing them to switch to a different mortgage product.

Miss S and Mr G have been through a difficult and stressful time as a result of a significant and prolonged drop in their income. Their circumstances have fortunately improved over the last year, but it will inevitably take time for them to get back to where they were before and re-establish their credit rating. Until then, their former financial difficulties will continue to impact on their ability to obtain credit.

I think that when Miss S spoke to the Santander's adviser in March 2016, their options were already limited. Either they could continue to accept payments from their relative with no guarantee these would continue, while their level of debt increased, or they could take the

two month reduced payment arrangement offered and use the time to obtain advice and/or reduce their monthly liabilities on their unsecured debts. Even after they took the payment arrangement, it was open to them to explain to their relative what they were doing and clarify whether the monthly contributions of £500 would still be available if they needed them later on. The agent had no way of knowing the detail of the arrangement they had come to. It was really a matter for Mr G and Miss S to discuss with their relative, how things might pan out.

Whatever they'd decided to do, the reality of the situation was that their credit rating would be affected for some time, given the level of unsecured debts they had in addition to the mortgage arrears. So I think it's unlikely that their situation now would be any different, even if they had decided not to accept the two month payment arrangement. I'm satisfied that the ongoing problems stem from their financial difficulties, rather than from any error made by Santander or its agents.

my final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Miss S to accept or reject my decision before 2 January 2018.

Melanie McDonald
ombudsman