

## **complaint**

Mr R complains that Santander UK Plc mis-sold him a loan, did not communicate with him about the loan status and did not respond positively and sympathetically when he told it he was experiencing financial difficulties.

In February 2002, Mr R took out a Cahoot flexi-loan online. He chose a preferred limit, and the bank conducted credit checks to confirm that this would be appropriate. Based on this application, Mr R obtained a loan with a limit of £8,000. As he made the minimum monthly payments, this limit was able to be increased, and by 2007, the debt had built up to £16,000, which Mr R then cleared.

However, in 2009, Mr R says he told the bank he could no longer afford to make payments. He says the bank responded that it could not find the account, but would let him know if it had been transferred to another account. Mr R continued to use the account until October 2009 and made payments up to May 2010.

Santander says it wrote to Mr R in early 2011 to explain that technical problems had prevented it from taking direct debits between March 2010 and early 2011, but that account-holders could either repay the arrears in a lump sum or have them added to the end of the loan. Mr R says he did not receive these letters, but did receive letters in early 2011 seeking repayment of the debt. As he had not heard from the bank, he believed the debt had been written off.

## **background**

The adjudicator did not recommend that the complaint should be upheld. She considered that the loan had been affordable when Mr R had taken it out, as credit checks had been satisfied, and he had been able to make the minimum monthly repayments. She also considered that Mr R was aware that the debt was repayable, as he had been making payments even after the technical problems commenced, and had then received letters about the debt in early 2011. In any case, she was of the view that as the debt was over £10,000, it was not reasonable for him to assume it had been written off.

She considered that the bank had responded positively and sympathetically to Mr R's financial difficulties by discussing repayment arrangements and suspending interest from December 2012. She was also of the view that the bank was reasonable to list the arrears outside of the technical problem period on Mr R's credit file, as this correctly reflected the status and management of the account.

Mr R does not agree, saying the bank should not have lent him the money without further affordability checks, should have provided better communication about the status of the debt and should not have listed the arrears on his credit file.

## **my findings**

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

Mr R has raised several issues, which I will address in turn.

affordability of the loan

Mr R applied for the loan online, requesting a limit which was then subject to credit checks by the bank. This resulted in him obtaining an £8,000 loan. Mr R met his repayment obligations and the limit was increased over time, and it was only in 2009 that he reported difficulties.

When considering whether a loan was affordable, our primary concern is the credit status of the borrower when the loan was taken out. In this case, there is nothing to suggest that Mr R could not afford the loan when he took it out. Even though the limit was increased over time, Mr R continued to meet his obligations and was able to pay an outstanding balance of £16,000 in 2007. This suggests that he was able to afford the increases, and even make a large payment to clear the debit balance. I therefore do not consider that the loan was unaffordable for him.

status of the debt

Mr R accessed his account until late 2009, and continued to make payments towards the debt until May 2010. On this basis, I consider he was aware he owed a debt. While technical problems meant payments were not taken between March 2010 to early 2011, Mr R did make payments during this period. He received letters from the bank in March 2011 seeking repayment of the debt, which stood at over £10,000.

On this basis, I consider it was reasonable for Mr R to expect that he still owed the loan. There was nothing to suggest that the bank had written it off, and it would have been reasonable for him to confirm its status during the period when no payments were being made and there was no communication from the bank.

credit file listing

While Santander has said it would not list missed payments during the period of the technical problems, this undertaking does not cover payments missed outside that period. As Mr R did not make payments after May 2010, it was reasonable of the bank to record this information on his credit file. Banks are expected to ensure that a credit file is a true and accurate reflection of how an account has been maintained, and as Mr R was not making payments, it was reasonable for this to be recorded.

response to financial difficulties

Mr R says he contacted Santander in 2009 to tell it he was having difficulties, but that he did not hear back from the bank. Santander has paid him £60 compensation for the distress and inconvenience this caused. It has also suspended interest on the account from December 2012 and has discussed repayment arrangements with Mr R. I therefore consider it has more recently responded positively and sympathetically to Mr R's situation.

Santander has made errors in the administration of this account, but I consider the redress offered to be appropriate in the circumstances. At no point did it do anything which would suggest it had written off the debt, and I do not consider Mr R could reasonably assume that he would no longer have to pay it.

### **my final decision**

For the reasons set out above, my final decision is that I do not uphold this complaint.

Catherine Wolthuizen  
**ombudsman**