

## **complaint**

Mr and Mrs M complain about the lack of options Santander UK Plc gave them when Mr M took ill and they had financial difficulties. Mr and Mrs M were looking a fair mortgage deal with Santander,

## **background**

Mr and Mrs M had a mortgage with Santander. They made their contractual monthly payments punctually until Mr M took suddenly ill in December 2017. As it was likely that Mr M would be off work for at least 6 months and that they would struggle financially Ms M contacted Santander to see if they could work something out to have the payments reduced for a period of time while Mr M was off work.

Santander agreed to accept reduced payments for a period. In May 2018 Santander told Mr and Mrs M that they couldn't offer Mr and Mrs M a new deal on a mortgage product to fix the interest after their existing deal expired in September. Mr and Mrs M believe that they weren't properly informed that the payment arrangement would affect their credit rating and ability to get mortgage deals. They say that they should have been told that the arrangement would affect rather than may affect their credit rating and should have been offered alternatives to the reduced payment arrangement.

## **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've listened carefully to the phone calls made between Mr M and Santander when Mrs M attended the local branch office and calls were then put through to more specialist Santander staff.

The background was that Mr and Mrs M had a mortgage account they were managing impeccably but they had a sudden blow to their finances when Mr M took ill. They felt that they would have difficulties paying their mortgage for a period and turned to Santander for help. Santander's assistance was to offer to waive its requirement that Mr and Mrs M pay the full contractual monthly payment each month but to agree a reduced arrangement to pay. This was reviewed after two months when Mr and Mrs M agreed higher repayments and then later they paid off all the arrears,

The downside of any arrangement to pay is that the lender will report the lower payments to a credit reference agency which will show a gap in the repayments on Mr and Mrs M's credit file. Looking at Mrs M's credit file which she supplied to us, it shows a history of her mortgage account going back almost six years. Until the previous six months all payments were made on time. In the past six months it shows a two month gap which is explained as "*The lender has agreed to vary your payments for a time*". This would seem to give a fair picture of Mrs M's credit history. It is not the credit history of a serial defaulter but of a person who has difficulty making payments for a short period and the lender has made an agreement for reduced payments.

Unfortunately for Mr and Mrs M, making reduced payments had a knock-on effect which is that their credit history has been affected and they have had the anxiety of not knowing whether they would be able to source a new mortgage product with a favourable interest rate when their existing product expired. This is because when they next applied for a fixed rate, their account would show an arrears history.

We would expect Santander to be positive and sympathetic to Mr and Mrs M when Mrs M came to see them in their financial difficulty. Santander says that it did this by agreeing an arrangement Mr and Mrs M could afford. The downside of the reduced payment arrangement is that it has consequences on the credit file because of the arrears. I note that Mrs M was aware that the account would go into arrears because she queried in her first conversation whether the arrears would result in other charges or extra interest and indeed what that interest was likely to be.

I see that after the first arrangement Santander wrote to Mr and Mrs M telling them that the arrears would be reported to credit reference agencies and that the failure to pay the mortgage may affect their future ability to obtain credit. The purpose of that is to alert Mr and Mrs M to the problems going into arrears would cause for them in credit applications in the future. Mrs M has made the point that this should be emphasised more fully saying that it "*will affect*" rather than "*may affect*". But most customers who have arrears will get credit in the future as indeed Mr and Mrs M did.

I have looked at what alternative options Santander could have offered Mr and Mrs M. Mr and Mrs M's broker suggested two alternatives. He suggested firstly that Mr and Mrs M should have been given the option from day 1 of reducing their payments to interest only for a period and be kept under review. He doesn't appear to be suggesting an interest-only mortgage as it's only for a period.

But this would have a similar effect on Mr and Mrs M's credit profile as the arrangement they entered into. There would be arrears as the interest-only payments would be less than the contractual monthly payments and the credit file would show an arrangement to pay. There is also the question of whether it would have been reasonable for Santander to require Mr and Mrs M to pay more in January and February than they could afford. According to the income and expenditure account interest-only payments at that stage were unaffordable.

The other solution suggested by the broker would be to extend the payments as long as possible to bring the payments down. He doesn't suggest how long that might be. But the problem with extending the mortgage as a solution is that Mr and Mrs M's income as opposed to their expenditure was showing in January a large deficit and so any long term mortgage would be unaffordable. It would seem reasonable to do as Santander did and suggest short term arrangements to be reviewed and adjusted in view of Mr and Mrs M's changing income.

Mr and Mrs M's broker doesn't suggest capitalisation of the arrears although Mrs M refers to it in her letter of complaint. But that doesn't deal with the problem as capitalisation occurs when the arrears have already occurred and so any damage that would result to Mr and Mrs M's credit file would already have been done.

The problem is that if Mr and Mrs M couldn't afford the monthly payments, this was going to be reported to credit reference agencies although in this case as an arrangement to pay. So, having looked at the alternatives my view is that the reduced payment option offered by Santander was reasonable in the circumstances.

I note that Santander didn't send in January information about debt resources to Mr and Mrs M and didn't do so until May. Whilst it would have been better to have sent this out at the time Mr and Mrs M first raised the problem with Santander I consider that Santander acted properly to give Mr and Mrs M breathing space after the first shock of Mr M's illness to see how they could address their temporary debt problem. I can't fairly say that Mr and Mrs M's situation would have been better had they got that debt information earlier.

Unfortunately because of the arrears Mr and Mrs M were unable to access Santander's more favourable rates when their mortgage products came to an end. Mr and Mrs M say that they could have fixed a rate for the smaller loan from January but were advised to wait until the mortgage product for the larger loan expired. I can see why that advice may have been given as it's sometimes more convenient that products for different loans run at the same time. I've also listened to a phone call Mr and Mrs M had with the mortgage adviser in April and it seemed to me that Mr and Mrs M would have been aware of the options they had for accessing new mortgage products.

I appreciate from listening to that call that these options weren't straightforward. I can also understand Mr and Mrs M's frustration at that point when their financial prospects were improving compared to January. But I am of the view that given Mr and Mrs M's situation in January as described to the Santander adviser and in Mrs M's letter to Santander of 24 May 2018 that Santander's response was positive, sympathetic and appropriate. For the above reasons I can't fairly uphold this complaint.

### **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 7 March 2019.

Gerard McManus  
**ombudsman**