

The complaint

Mr S and Miss H's complaint is about a joint mortgage they have with Santander UK Plc. They have complained because, in October 2023, Mr S was given incorrect information when he asked for assistance due to an upcoming change in his financial situation. This was because he was not told that the payment arrangement Santander granted would be reported on their credit files. He's also said he was led to believe the payments that were missed could immediately be capitalised onto the mortgage when he found a new job and started paying the mortgage again.

To settle the complaint, Mr S and Miss H want the arrears to be removed from the mortgage, either by being capitalised or written off, along with the additional interest that has accrued. They also want the adverse information removed from their credit files.

What happened

Mr S and Miss H took out a joint mortgage with Santander in 2020. They borrowed just under £226,000 on a repayment basis over 35 years. A fixed interest rate product was attached to the mortgage, which ended in December 2022. The mortgage then reverted to Santander's standard variable rate (SVR) of interest.

In August 2023 Mr S contacted Santander as his employer was going into administration and there was the possibility that he would lose his job. He wanted to explore what the options would be in relation to the mortgage if he became unemployed. Santander suggested initially that he look at adding an interest rate product to the mortgage to reduce the monthly payments. It also explained that there would be various options it could explore with him if he was made redundant, including a reduced payment arrangement. It was explained that if this type of arrangement was agreed, the missed payments would need to be repaid alongside the mortgage and that the arrears would impact their credit files. Mr S asked about adding the overdue balance to the mortgage and he was told that would be one of the options for dealing with the missed payments. The conversation ended with Santander telling Mr S to look into new products and to come back to it when he knew what was happening with his job.

Mr S next called Santander in the middle of October 2023, having been made redundant. Again, it was suggested that he look at adding an interest rate product to the mortgage, but he confirmed that Miss H would not agree. Santander suggested that an income and expenditure exercise be completed. It was, and this established Mr S couldn't afford to make any payments to the mortgage. It was agreed that he wouldn't make any payments in November and December 2023, and should call back at that point for the situation to be reviewed. Unfortunately, Santander told Mr S that because he had an arrangement, his credit file would not be affected. Mr S asked about capitalising the arrears at the end of this, and he was told that when he was able, they could sort out him paying more than the contractual payment each month.

Mr S spoke to Santander again at the end of November 2023 to tell it that he had a new job. Making an arrangement to repay the arrears was mentioned by Santander and Mr S said he had been told he could just add the arrears to the mortgage balance. The Santander

member of staff said she would check if capitalisation was possible. A new product was mentioned again and Mr S was told that he needed to call Santander back before the next payment was due at the beginning of January 2024 to sort out an arrangement.

A further conversation between Santander and Mr S occurred on 18 December 2023. Mr S was asked to update the budget planner so that a discussion could be had about what would happen going forward. Mr S was also told that there was a one-year fixed interest product that he could attach to the mortgage, which would reduce the monthly payments by approximately £400, without the need for Miss H's consent. Mr S was told that the arrears on the account might affect his credit file and would mean additional interest would be charged.

After Mr S completed the budget planner, he discussed his options in relation to the mortgage. He asked for another couple of months of reduced payments to allow him to get his finances straight. This was agreed for January and February 2024. Santander confirmed that a marker would be placed on Mr S' credit file to confirm that a payment arrangement was in place.

On 19 October 2023 and 29 December 2023 Santander wrote to Mr S about the payment arrangements that had been agreed. It confirmed that following an income and expenditure exercise it had been determined that Mr S wasn't able to afford to make any payments to the mortgage. As such, it had placed the account on hold and fees were suspended. It reminded Mr S that he needed to speak to it when the arrangement ended so that repayment of the arrears could be agreed. Santander also confirmed that the arrears would be reported to credit reference agencies.

In February 2024 Mr S spoke to Santander about restarting making payments to the mortgage and adding a new interest rate product. When Santander raised the issue about making payments towards the arrears, Mr S said he was under the impression he would be able to add the arrears to the mortgage balance immediately. The member of staff he was speaking to said they were not sure if that could be done, and arranged for someone who could give him an answer about that issue to speak to him. Mr S was told that the arrears would affect his credit file.

Three days later Santander confirmed to Mr S that he was not eligible to capitalise the arrears at that time and would not be until he had made a number of consecutive payments to the mortgage. Mr S said that he had been misadvised as he had been told before the payment arrangements had been put in place that he would be able to capitalise the arrears immediately.

Santander considered Mr S' concerns and accepted that the service it had provided to Mr S was not what it should have been. It offered Mr S £200 compensation for any upset or inconvenience this had caused him.

Mr S asked this Service to consider his complaint. When he did, Santander told us that it wanted to increase the compensation payment to £500. Mr S rejected the offer of compensation and repeated that he had been under the impression he would be able to capitalise the arrears immediately after he started to make payments again.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld. Mr S and Miss H did not accept the Investigator's conclusions. Mr S says that we had discriminated against him as a single parent because the Investigator concluded that there was no proof he would have taken a different option if it had been offered. He asked that the complaint be referred to an Ombudsman.

What I've decided – and why

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

I would initially explain to Mr S that when a financial business has made a mistake, any redress we award is aimed to place a consumer in as close as possible to the financial position they would have been in, had the error not occurred. We do not aim to place the complainant in the position they would be in, had the incorrect information been correct.

In this case Santander has accepted that it incorrectly told Mr S when the first payment arrangement was being set up that it would not affect his credit file. However, I note that Mr S had been told in an earlier discussion that any arrears would affect his credit file. He was also told immediately after this conversation that the arrears would be reported on his credit file. I think the conflicting information may well have caused confusion.

Mr S and Miss H want the adverse information removed from their credit files. I could only require Santander to do this if, had Santander correctly told Mr S that the payment arrangement would affect his credit file, Mr S would have decided not to accept the payment arrangement and would instead have continued to pay the mortgage in full.

Mr S has said that he believes that assumptions have been made about his ability to make payments to the mortgage without evidence, and this has made him feel that he is being discriminated against. I am sorry he feels this way, but the assessment about what Mr S would have done was based on the outcome of the budget planners Mr S completed for Santander. These both showed that Mr S was not in a position to make any payments to the mortgage, which is the only reason he was offered a nil payment arrangement. While the budget planners didn't establish if Miss H would have been able to make any payments to the mortgage, this was because she was not, and had not been, contributing to the mortgage payments. As such, I am not persuaded that had Santander been clearer about the arrears being reported before Mr S accepted the October payment arrangement, he would have rejected it and been able to continue to pay the mortgage. By the time Mr S entered into the second payment arrangement in December 2023, I am satisfied that Santander had been clear about arrears being reported and possibly affecting his and Miss H's credit files.

In relation to the matter of the capitalisation, again I am satisfied that Santander could have been clearer in its earlier responses about this issue. This resulted in Mr S misunderstanding when he would be able to capitalise the arrears and him having his expectations raised. However, I don't consider that until Mr S' financial difficulties had resolved themselves, it would have been appropriate for a full conversation about the possibility of capitalisation to have taken place. As the Investigator explained, there are various criteria linked to a borrower being able to capitalise arrears and it will depend on that individual's circumstances as to what is, or is not, possible. Until a borrower's circumstances have stabilised, it wouldn't be possible to establish what was possible and the timescales associated with any such possibilities.

Overall, it is clear that Santander did not communicate effectively with Mr S and didn't provide all of the information when it should have, and as clearly as it should. However, I am not persuaded that Mr S and Miss H would have been in any different a financial position, including the matter of their credit files, had Santander not failed to fulfil its duty of care towards them.

The poor service from Santander does, however, merit an award of compensation for the confusion conflicting information likely caused, and the raising of Mr S' expectations. I have

considered the offer Santander has recently made, and I think it is an appropriate and proportionate amount, given the circumstances.

Mr S has explained the impact this matter has had on him and Miss H. I can understand why Mr S is unhappy about the situation, but I can only require Santander to take action if it has done something wrong and that mistake has placed a consumer in a worse financial position than they otherwise would have been in. In this case, while Santander didn't communicate as effectively as it should have, I am not persuaded the mortgage would have been in a different position from what it is if the communication failure hadn't happened.

My final decision

Santander UK Plc has already made an offer to pay £500 to settle the complaint and I am satisfied this offer is fair in all the circumstances. As such, my final decision is that Santander UK Plc should pay £500 (inclusive of any sums already paid) in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S and Miss H to accept or reject my decision before 13 January 2025.

Derry Baxter
Ombudsman