

The complaint

Mrs H complains about how Santander UK Plc has affected her credit file after she went into a debt management plan (DMP) on her credit card account.

What happened

In 2017, Mrs H went into a DMP to repay her creditors. Mrs H says that Santander treated her repayments in the plan as missed payments because they were less than the minimum amount due. She says it was only when she started paying the minimum amount due that Santander stopped recording missed payments on her credit file.

Mrs H says that if Santander had defaulted her credit card account, as it did with her overdraft account, she would be in a better position. That's because the default would have dropped off her credit file within six years from the date of the default. Whereas the missed payments will remain on her credit file for longer.

Santander responded to Mrs H's complaint but didn't uphold it. It explained that it had correctly not defaulted the account – as the arrears on the account hadn't built up to a point where it should have defaulted. Unhappy with Santander's response, Mrs H referred her complaint to this service.

An Investigator considered what both parties had said, however they thought Santander had acted fairly in this case. They explained that they'd seen enough information to show that Santander had accepted a payment arrangement from Mrs H and had recorded this with the credit reference agencies. And so, the Investigator thought Santander had recorded what had happened accurately with the credit reference agencies.

Mrs H didn't agree with the Investigators view. She felt that she had made an effort to repay her debts via the plan. And someone who hadn't done that would have had their account defaulted and would have been in a better position than her. Essentially, she feels that her credit file has been impacted for a longer period of time than if her account had defaulted and so she didn't feel that was fair. Mrs H also said that her overdraft account was defaulted and not treated in the same way as her credit card account.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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.

Having considered everything available to me, I won't uphold Mrs H's complaint. I appreciate this decision will come as a disappointment to Mrs H, however I will explain my findings below.

Mrs H entered into a debt management plan in 2017 – Santander accepted the repayment proposal and Mrs H made repayments in line with the agreed arrangement.

Guidance issued by the Information Commissioner's Office (ICO) in relation to DMP's says:

"If the plan is accepted by the lender, the record filed at the credit reference agencies must reflect that the consumer is on a DMP. For such accounts arrears may continue to be calculated in accordance with the contracted terms, but the account marked as under a DMP".

Santander has provided this service with evidence to show that it was reporting the account was in a DMP to the credit reference agency it uses. And so I'm satisfied that Santander were correctly reporting the status of Mrs H's credit card account.

This same guidance also states:

"If an arrangement is agreed ... a default would not normally be registered unless the terms of that arrangement are broken".

And

"A default should not be filed:...

- If jointly with the lender an agreement is reached for an arrangement and you keep to the terms of that arrangement"*

In this case, given that Mrs H was in an arrangement with Santander to repay a reduced amount, and Mrs H had stuck to the arrangement, it wouldn't have been fair of Santander to default the account. I haven't seen any reason for Santander to default Mrs H's credit card account. And given the impact a default could have on someone's credit file; I wouldn't have expected Santander to default an account where it didn't need to. And so, I can't fairly conclude that Santander should have defaulted the credit card account.

I will also add that it is up to a lender how it views information on a person's credit file. So, while Mrs H thinks that she would have been better off with her account defaulting, this isn't necessarily the case – how a lender decides to interpret information on a credit file is up to that lender.

Mrs H's complaint to this service was about the credit card account. So, I haven't investigated what happened on the overdraft account and why that defaulted when the credit card account didn't. However, Santander has explained that *"Accounts are defaulted once they reach a certain level of arrears, and these accounts did not reach the same level of arrears at the same time"*. If Mrs H wants to make a complaint about that account, she will need to do so separately.

My final decision

For the reasons set out above, I don't uphold Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 December 2023.

Sophie Wilkinson
Ombudsman

