

The complaint

Mr S complains about a payment holiday he applied for with Santander UK Plc.

What happened

The background facts are well known to the parties so I will only summarise those here and focus on giving reasons for my decision.

Mr S applied for and was granted a three month payment holiday in regard to a loan he had with Santander. He did this as a result of the COVID-19 pandemic. However, he says that Santander did not tell him that his loan term would be extended as a result or that he would still accrue interest during the holiday. He feels like he has been unfairly penalised.

Santander did not agree it had done anything wrong so Mr S referred the matter to this service.

Our investigator did not uphold the complaint so Mr S has asked for a final decision.

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 note Mr S has a similar complaint with this service about another Santander loan. For clarity this decision is in respect of the loan reference ending '0'.

The Financial Conduct Authority ('FCA') issued guidance from April 2020 in respect of how firms should treat customers in financial difficulty due to COVID-19. I note that Mr S applied for his payment holiday with Santander in May 2020 so I consider it relevant to take this guidance into account when deciding what is fair and reasonable here.

I have not commented on all the submissions of the parties – only those I consider relevant. This reflects my role in resolving disputes informally. With that said I consider there to be two key aspects to this complaint. One is whether or not Santander's actions in extending the loan term and allowing interest to accrue on sums owed during the period of holiday is fair and reasonable. And two, whether (before he took out the payment holiday) Mr S was reasonably informed by Santander this is what would happen (and if it didn't whether this would have changed his decision to take the payment holiday in any event).

Firstly, I have considered if what Santander has done here is fair and reasonable. I note that the purpose of the payment holiday was primarily to give Mr S a break from making his contractual payments and not to forgive them. So I don't consider it is unreasonable for the loan term to have been extended as a result of the payment holiday– because Mr S needs to make these contractual payments at a later stage. I also don't think this is incompatible with the FCA guidance issued in respect of COVID-19 payment holidays.

I don't think Santander has charged Mr S a penalty fee for the payment holiday as he appears to believe. But I also note Santander continued to charge interest on the loan

amount during the payment holiday. However, the continued accrual of interest on sums owed under the agreement that remain unpaid is not inconsistent with the guidance the FCA issued.

I have also considered more generally whether there is clear evidence the 3 month payment deferral and the resulting implications as to the extended term and accrual of interest would obviously have not been in the best interests of Mr S or whether it would be generally considered unfair treatment in respect of the requirements of the FCA Consumer Credit Sourcebook ('CONC'). I don't see persuasive evidence of that in the individual circumstances here.

In summary, I am not persuaded Santander acted unreasonably in (as a result of it granting a payment holiday) extending the loan term and allowing interest to continue to accrue on the loan balance. Therefore, I have turned to whether Santander took reasonable steps to inform Mr S this would be the consequence of him taking a payment holiday of this nature.

From what I can see Mr S applied for the payment holiday online. Santander has explained its application process at the time and the screens Mr S would have seen in taking out the payment holiday which it says clearly explain the situation. Our investigator has sourced the archived pages from the time Mr S took out the payment holiday and I can see that before the 'apply' button there is a sentence that says *'Please read the FAQs below [highlighted in red] before deciding if you should do this'*. I consider this reasonably would have drawn Mr S to the sections which then explain the nature of the payment holiday and say:

'you will still be charged interest on your outstanding balance during the holiday'

and

'Your loan term will be increased by the length of your payment holiday'

So it appears to me that Santander did reasonably inform Mr S of the situation which he is unhappy about. I am aware that when presented with this information by this service he says he didn't see it. However, I am persuaded that it is more likely than not to have been what was presented to him as part of the online process of applying for the payment holiday. I have not seen persuasive evidence to suggest otherwise. I also think it is reasonably clear.

In summary, I don't think what Santander has done in applying interest or extending the loan term is unfair, nor do I think Santander has misled Mr S about the situation. So while I am sorry to hear he is unhappy, I don't consider it fair and reasonable to uphold this complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 December 2023.

Mark Lancod
Ombudsman