

The complaint

Mr M complains that Santander UK Plc mis-advised him and prematurely withdrew his graduate account. He says this caused him significant stress – and forced him to make unfavourable arrangements to pay off his overdraft.

What happened

Mr M opened a student account with Santander in 2013. In December 2016, the account transferred to a *graduate* account – then transferred back to a *student* account in January 2017. Mr M says this was done in error as he was still studying. By September 2017, he'd completed his studies and so transferred to a graduate account. He had an interest-free, arranged overdraft of up to £2,000 on this account.

Mr M says he was expecting the graduate account to last for three years. But in early 2019, Santander told him he'd be transferred to an "everyday" account later that year. Mr M queried this – and says he was told the transfer wouldn't happen until August 2020. Santander also offered him £40 compensation. Then in October 2019, it offered a further £50 compensation – but said the graduate account would in fact end in December 2019. Mr M says it's since contradicted this.

Unhappy with Santander's response, Mr M referred the matter to our service. He thought different terms had been applied when he transferred back to a student account in January 2017 – and *that* was why the graduate account term had been reduced.

Our investigator contacted Santander and it clarified that, although it used to offer the graduate account for three years, the terms had changed. Any graduate accounts opened on or after 26 June 2017 had a two-year term. That's why Mr M's account was due to transfer on 17 December 2019. At that point, under the everyday account terms, his overdraft would start to incur interest. Due to the confusion, Santander agreed to waive this interest for the first sixty days. It also offered a further £210 compensation, bringing the total up to £300.

Our investigator thought that, as the graduate account started after 25 June 2017, Mr M was only entitled to it for two years. They weren't convinced that the premature transfer issue had affected this. They *did* think Santander had given Mr M unclear and contradictory information about the change – but were satisfied that it had offered fair compensation for this.

Mr M disagreed. He explained that the situation had caused him a lot of stress and upset. He said he'd been worried that the overdraft would be removed entirely – which would have caused him severe financial difficulty. He'd therefore taken out a loan with a high interest rate to pay off his overdraft. Our investigator didn't think Santander was liable for any additional costs he'd incurred as a result. So, as requested, Mr M's case has been passed to me 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.

As a starting point, I've looked at the terms of Mr M's graduate account. Term 11 says:

"Unless you notify us beforehand that you wish to have different facilities with us, then on the second anniversary of your account opening (third anniversary for any accounts opened before 26 June 2017) you'll cease to be eligible for the 123 Graduate Current Account."

The term goes on to explain that the account will then transfer to an "appropriate current account" and the specific graduate conditions will cease to apply. As Mr M's graduate account opened after 25 June 2017, I'm satisfied he was only eligible for the account for two years. So Santander was contractually entitled to withdraw it in December 2019.

I've considered whether this term has been applied fairly in the circumstances. Mr M says he would have been able to keep the graduate account for longer if it hadn't been for the transfer mix-up in December 2016/January 2017. I'm not persuaded that's correct. Even if Mr M's account had consistently remained a student account until September 2017, he would still have been affected by the two-year term for graduate accounts which applied by that point. So I don't consider what happened in December 2016/January 2017 a fair reason to depart from the account terms.

However, I do think Santander's communication about the changes was unclear and caused Mr M confusion. This is important as his arranged overdraft was interest-free under his graduate account terms – but would incur interest under the everyday account terms. Santander's poor communication about this could have affected his ability to take action (such as opening another account or reducing his overdraft) if he was unhappy with this change. So although I don't consider it fair to direct Santander to allow the graduate account to run for three years, I *also* don't consider it fair for Santander to start applying interest in line with the new account terms without giving Mr M adequate notice.

Given the confusion, Santander agreed to waive any interest for the first sixty days of the everyday account. This matches the notice it's contractually required to give when it changes the terms. So I'm satisfied this gave Mr M adequate notice. He says he didn't benefit from this as he'd already taken out a loan to pay off his overdraft. But the purpose of the interest-free period was to ensure he had *time* to make other arrangements – such as obtaining alternative finance. And although he was worried that his overdraft would be completely withdrawn, our service told him this wouldn't be a consequence of the account transfer. Ultimately, it was his choice to make alternative arrangements. And Santander isn't responsible for the basis on which another lender offered him a loan. So although I appreciate the difficulty of Mr M's situation, I don't consider any additional costs stemming from the loan to be a consequence of Santander's errors. In any event, he hasn't shown that he'll pay *more* interest on the loan than he would have done if he'd kept the overdraft.

I've also considered the distress and inconvenience Mr M has suffered. Santander has offered £300 compensation for this. Mr M thinks more is due. But what I must consider is, what situation would he be in *but for* any errors by Santander? Even if it had notified him more clearly about the changes, he would always have needed to make other arrangements if he wasn't happy with the new terms. So although this was stressful, it wasn't a consequence of Santander's errors. However, I do think the *confusion* around how long Mr M had to make other arrangements caused him stress and upset. He also suffered loss of expectation, as Santander repeatedly told him that his account would last for longer. Thinking about the impact this had, I'm satisfied that £300 is a fair reflection of the distress and inconvenience Mr M has suffered as a result of Santander's errors.

My final decision

My final decision is that I partially uphold this complaint. I direct Santander UK Plc to:

- pay Mr M £300 compensation, less the compensation it's already paid in relation to this complaint; and
- refund any interest charged on his account from 17 December 2019 to 15 February 2020 (*if applicable*)

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 March 2020.

Rachel Loughlin
Ombudsman