

The complaint

Miss K is unhappy with the decision taken by Santander UK Plc to remove her overdraft facility, and place a default on her current account.

What happened

Miss K had a current account with Santander. Miss K's current account included an agreed overdraft facility for £2,000. Between the period December 2017- December 2018 Miss K's current account remained in agreed overdraft, and on a few occasions went into unarranged overdraft. When this happened Miss K generally made payments into her account bringing it back to her agreed overdraft limit.

In December 2018 Miss K's account went into unarranged overdraft. Unarranged overdraft charges were applied to Miss K's account in December and January 2019.

Santander contacted Miss K in February and Miss K explained more about her circumstances. It was recorded that Miss K was out of work and receiving job-seeker's allowance. Santander agreed to write off the unarranged overdraft charges applied in December and January.

In March Miss K received a letter explaining that her account remained in unarranged overdraft, and the unarranged overdraft amount of £50.17 remained outstanding. The letter also explained all direct debits from her current account had been cancelled, and a block had been placed on her debit card.

In April Miss K was sent a further letter requesting payment of the unarranged overdraft amount of £50.17. Miss K contacted Santander and it was recorded that Miss K was out of work and due to be evicted. It was agreed that Miss K would make reduced payments of £20 each month to clear the outstanding balance on her account, which remained in unarranged overdraft.

In May Miss K received a further letter explaining the unarranged overdraft amount of £50.17 remained outstanding. Miss K contacted Santander on 28 May, and it was agreed that £10 a month would be a more affordable monthly repayment, and the next payment would be due by 28 June. Miss K was also informed that her account was due to be reviewed on 1 June.

On 1 June Santander decided to remove Miss K's overdraft facility. Miss K was not sent any communication from Santander at the time explaining this had happened.

On 27 June Miss K contacted Santander as she'd not made the payment due for June. It was agreed that the arrangement to pay £10 a month would continue, and the next payment was due by 27 July.

Miss K made a payment of £10 into her account on 27 July, and 27 August.

Santander tried to contact Miss K to discuss her current account. It was recorded '*Customer has an arrangement in place £10 a month...this will not clear balance in 15 months... new arrangement needed.*'

Miss K spoke to a Santander rep in September, and was told the arrangement on 27 June shouldn't have been agreed, as the overdraft facility had been removed on 1 June. Miss K confirmed her circumstances were the same, and that she'd be unable to pay the £135 a month required to clear the outstanding balance on her account in 15 months. Santander offered to discuss payment options with Miss K however she remained unhappy with the overdraft facility being removed without notice. Santander offered Miss K £50 for the incorrect information provided to her in June. They said this arrangement shouldn't have been made. Santander also said that the decision to remove Miss K's overdraft facility in June was fair, and didn't offer any compensation in respect of this complaint.

Miss K was unhappy with this response, saying that she couldn't afford to pay £135 a month, and Santander had acted unreasonably by removing her overdraft facility when an arrangement had been made for her to make payments for £10 a month. On 31 October Miss K was served a default notice. In December a default was registered against Miss K for non-payment of the outstanding overdraft balance.

Miss K brought her complaint to the Financial Ombudsman Service for us to investigate. The investigator found that Santander's offer for £50 was fair, as the decision to remove the overdraft was reasonable. The investigator didn't recommend Santander do anything more in settlement of the complaint. Miss K disagreed with this, saying that Santander had made an agreement with her in June, and she was called three months later and told that her overdraft had already been removed. She also said Santander have put her '*in a worse financial situation*' and the '*£2,000 default is nothing compared to six years on a credit file.*'

As the complaint couldn't be resolved it's been passed to me for 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.

Having reviewed the evidence I agree with the investigator's findings on this complaint for broadly the same reasons. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.

When a business becomes aware of a customer being in financial difficulty, we'd expect a business to treat their customer fairly and empathetically. This includes having regular, informative conversations with their customer about their financial standing and personal circumstances, and taking positive steps to provide support.

When Miss K's account went into unarranged overdraft for two consecutive months in December 2018 and January 2019, Santander contacted Miss K to discuss her circumstances, and understand more about her income and outgoings. I think these actions were fair. Miss K explained that she was out of work. It was clear from this conversation that Miss K was struggling to maintain payments towards her overdraft, and that this situation may continue. Because of this, Santander agreed to refund the unarranged overdraft charges for December and January. I've also seen that no further charges have been applied to Miss K's account since.

Miss K received letters throughout March- May explaining that her account remained in unarranged overdraft, and the unarranged overdraft amount of £50.17 remained outstanding. Santander didn't apply any unarranged overdraft charges for this period despite the terms and conditions of Miss K's current account allowing them to do so. As Miss K remained out of work and was receiving state benefits, I think these actions were fair.

Miss K's account was reviewed on 1 June, and a decision was made to remove the overdraft facility. Miss K should've been told this information on 27 June, when she thought the overdraft was still active. Instead Santander said they would accept £10 a month as payment towards the outstanding balance starting 27 July, and that this arrangement could continue.

Miss K made no payments into her account between January- June 2019. I accept that Miss K did contact Santander during this time, and there was agreement from Santander about what payments would be accepted. Although agreements were put in place, Miss K didn't make any payments. Miss K did call Santander each time and explain why payment wouldn't be made. But this doesn't change the way the current account was being managed. The evidence supports that Miss K wasn't in a position to make reasonable payments towards reducing the overdraft.

Miss K says that Santander have admitted to her that they made errors. During the calls with Miss K in May and June, I think Santander could've been clearer with Miss K about what would happen with her account if reasonable payments weren't made to clear the outstanding balance. But even if Santander had been clearer to Miss K about the overdraft being removed in June, I don't think Miss K would've been in a position to clear more of the outstanding balance, than the £10 she had offered. So I think removal of the overdraft, and default application is what would've likely happened in any event.

Miss K says she's ended up in a worse financial situation. I appreciate Miss K's comments that it wouldn't have been affordable for her to pay £135 a month to clear the outstanding balance in the 15 months provided by Santander. She says Santander should've allowed her to continue paying the reduced payments of £10 which were affordable, and which Santander had agreed to. We'd expect a business to be flexible and fair in response to a customer who is struggling to maintain a credit facility.

Santander had provided Miss K with a current account which offered both an arranged overdraft of £2,000 (which Miss K depended on), and an unarranged overdraft. Although Miss K used her unarranged overdraft, she wasn't able to make any repayments for six months. Santander didn't apply any arranged or unarranged overdraft charges during the period January- June 2019 when no payments were received into the account. But I don't think it would've been fair on Miss K or Santander for this arrangement to have continued. The nominal payments made by Miss K in July and August would likely have been reviewed by Santander. If this hadn't had happened in June, it would've happened soon after.

The £50 compensation offered to Miss K is fair for the lack of clear communication with Miss K about the overdraft facility being removed. But having looked at Miss K's management of her current account, and history of non-payments over a significant period, I think the decision to remove the overdraft facility to avoid additional charges being applied in line with the account terms and conditions was fair.

I can appreciate Miss K's comments about the default on her credit file impacting her for the next six years. But I can't say Santander's decision to apply this default has been unreasonable. There were no payments made between January- June 2019. Miss K made two payments for £10 in July and August. No further payments were made.

I can understand Miss K's frustrations, as the amount being requested by Santander of £135 was unaffordable to her. However the credit facility provided by Santander was repayable within 30 days' notice as stated in the terms and conditions for Miss K's account. Santander discussed payment to clear the outstanding balance when Miss K was made aware that the overdraft facility had been removed. Miss K was provided with a default notice in October, and the default was registered in December. Although I appreciate Miss K's disappointment with the way things have happened, I think the steps taken by Santander were reasonable, and in line with what we'd expect prior to a default being registered.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 24 April 2020.

Neeta Karelia
Ombudsman