

The complaint

Mr D has complained that Santander UK Plc (“Santander”) misinformed and misled him into reducing his overdraft.

What happened

Mr D had an overdraft on his Santander current account, which had a limit of £800. He phoned Santander in May 2020 to explain he couldn’t afford the overdraft charges due as the onset of the pandemic meant he wasn’t able to get a job. Santander explained it wasn’t charging any interest on the first £500 of any overdraft. So Mr D wouldn’t pay any interest or charges going forward if his overdraft limit was reduced to £500. Mr D says he wasn’t told that agreeing to this meant that he’d lose access to the additional £300 he was previously allowed to overdraw. He complained when he wasn’t able to access these funds.

Santander responded and agreed it could have handled the call better and offered £30 compensation for this. But it thought Mr D had clearly agreed to reduce his overdraft to £500 in order to ensure he didn’t pay any future overdraft charges. So it didn’t agree that Mr D was misled into reducing his overdraft. As Mr D said he was struggling Santander referred him to its financial support team. Mr D remained dissatisfied and referred his complaint to us.

One of our investigators looked at Mr D’s concerns. She didn’t think that Santander had misled Mr D into reducing his overdraft. So she said that the £30 Santander offered was fair and reasonable in all the circumstances of Mr D’s complaint and didn’t recommend that it pay Mr D any more compensation. Mr D disagreed with our investigator. He said £30 wasn’t adequate compensation for having lost £300. Mr D’s complaint was passed to an ombudsman as a result.

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 carefully considered everything provided, I’m not upholding Mr D’s complaint. I’ll explain the reasons for my decision.

Mr D’s loss

In the first instance, I think it’s important for me to explain Mr D hasn’t lost £300. I say this because although overdraft funds had, prior to the rule changes in April 2020, previously been included in a customer’s account balance any funds were nonetheless provided as part of a credit facility. And a bank has an ongoing obligation to monitor a customer’s repayment record as well as only advancing funds in circumstances where a consumer is able to repay what they are being lent.

Was Mr D misled into reducing his overdraft limit?

I've listened to the call Mr D had with Santander in May 2020. Mr D told the representative he couldn't afford to pay his overdraft charges and also pay his bills. He asked if Santander could provide any help. The representative explained banks weren't able to charge interest on the first £500 of any overdraft as a result of rules introduced because of the pandemic. So Mr D wouldn't pay any interest, fees or charges on any balance up to £500 but as Mr D had an overdraft limit of £800 he'd pay interest on any overdrawn amount between £500 and £800. The representative offered Mr D the opportunity of reducing his limit to £500 to ensure he wouldn't pay any charges at all while the temporary pandemic rules were in place.

Mr D agreed to this but was transferred to another representative as the first one wasn't able to complete the process. I've also listened to the content of the discussion with the second representative. I think it's important for me to start by saying that the second representative told Mr D he could choose to only use the first £500 of his existing overdraft limit and he wouldn't incur any charges. But Mr D asked if his limit could be changed to £500, as that's what he wanted the first representative to do but she wasn't able to. The content of the call indicates that the second representative was also having difficulty amending Mr D's overdraft limit at that time. He told Mr D that he'd try again to process his request either the next day or early the following week.

Having considered the content of these calls, I don't think that Mr D was misled or misinformed into reducing his overdraft limit to £500. It's important to note that Mr D told the representative that he was aware that he was overdrawn by £508.42 and he knew if his overdraft was 'changed down' it would go to £500. He queried whether he'd be charged for this additional amount but was told by the representative he wouldn't.

I have considered the possibility that Mr D was referring to the £500 interest free portion being applied to his overdraft. But the second representative confirmed he didn't need to make any changes for this to happen and Mr D could simply choose to ensure he paid no charges by going overdrawn by more than £500. In my view, Mr D saying he wanted the overdraft changed, irrespective of this, indicates that he wanted his limit reduced.

So I'm satisfied that Mr D chose to reduce his limit and he wasn't misinformed or misled into doing so.

Did Santander respond to Mr D's request for help in a fair and reasonable way?

I've also looked at whether it was fair and reasonable for Santander to reduce Mr D's overdraft – irrespective of his request - bearing in mind the circumstances. Mr D said his income wouldn't increase as he'd hoped and planned because his future job prospects, once he finished his course would be affected by the pandemic. And he wouldn't be able to afford to pay the scheduled interest and charges on his overdraft as a result.

Mr D was offered two options. He was offered the option of not having to pay any interest at all by reducing his limit to £500, or him staying within the first £500 of his existing limit. He was also offered the option of paying reduced charges by making no changes to his overdraft limit and only paying interest on the first £500 he was overdrawn.

I'm also mindful that Santander agreed to waive any charges on the small amount Mr D was over £500. So Santander's solution and agreement to Mr D's request prevented Mr D from getting a further £300 into debt as well as provided him with immediate relief. And Mr D doesn't tell he was relying on the additional £300 he was agreeing not to have access to and there was no indication this was going to cause him financial hardship either. So I'm satisfied that Santander did exercise forbearance and bearing in mind all of the circumstances, it took fair and reasonable steps to respond to what Mr D has said about his financial position.

I know Mr D now wants Santander to increase his overdraft limit back to £800. Santander says it can't just increase his limit without first assessing his ability to repay. Santander is required not to lend irresponsibly and as Mr D told Santander he was unable pay the interest and charges on his existing limit of £500 (let alone repay what he owed within a reasonable period of time), I don't think it's unfair for Santander to want to assess he can pay the additional amount he's asking for before agreeing to lend it to him. On the contrary, I think it would be unfair and irresponsible to provide further funds in these circumstances without first checking Mr D can repay them.

Overall and having carefully thought about everything, I don't think that Santander did anything wrong. I'm very sorry to hear Mr D has been struggling. But I don't think Santander treated him unfairly when reducing his overdraft. And given his circumstances, I don't think it's unfair to assess whether he can repay any further funds before agreeing to increase his overdraft limit. So I'm not upholding Mr D's complaint and I don't think that Santander needs to do anything more.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 November 2020.

Jeshen Narayanan
Ombudsman