

The complaint

Ms M complains that Santander UK Plc won't let her reduce her overdraft by a small amount each month, to help her get out of debt.

What happened

Ms M said she was always in her overdraft, but she was trying to reduce it. She said she's been able to bring it down by a little bit each month, and now had a limit of £1,600.

Ms M wanted to reduce her overdraft again to £1,500, but Santander said it couldn't do that. If it amended her overdraft, it would reduce it very significantly and bring it down to £500, not just the £100 less that she wanted.

Ms M said she was only trying to reduce the amount she owed, and she wanted to know if Santander was refusing to help so it could keep getting monthly charges from her. Ms M said she didn't want to be on a payment plan, she just wanted to make small reductions to her overdraft regularly.

Santander said it had checked, and Ms M wasn't actually eligible for the overdraft that she had got at the moment. If it formally reviewed Ms M's borrowing, then it would now only lend her £500, so it wouldn't just make a reduction down to £1,500.

Santander said it wasn't planning to review Ms M's borrowing in this way, and it would write to her if that changed. It asked if she could manage to simply reduce the amount she borrows, while leaving her current limit in place. Ms M has said no.

Santander suggested that Ms M could reduce her overdraft, and then appeal against a decision to drop the overdraft to £500. However, it said it couldn't guarantee that this appeal would be successful, so she still might only be able to borrow £500.

More recently, Santander suggested that if Ms M can't reduce her own borrowing without changing her credit limit, then instead she could deposit a small amount of money in her savings account each month, then use that to clear her overdraft.

Our investigator thought this complaint should be upheld. She said Santander's suggestion of building up money in a savings account should've been offered sooner. But she also said this will disadvantage Ms M, because she would still pay interest on her overdraft. So our investigator thought Santander should pay Ms M £50, and also work out the difference between the interest charged on the overdraft and that gained on her savings account, until the savings amount is paid onto the overdraft, then refund the difference to Ms M.

Ms M accepted that, but Santander didn't. It wouldn't cover the difference between the interest earned on the savings account and the interest charged on Ms M's overdraft. It didn't think it should have to refund a charge applied in line with its terms and conditions. It repeated that there was no scope to override its process or make an exception for Ms M, so it couldn't just reduce the overdraft by £100.

Santander wanted this complaint to be considered by an ombudsman, so it was passed to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

An overdraft is intended for short term borrowing. Santander can ask Ms M to repay this overdraft at any point. It will usually give Ms M 30 days' notice if it wants to remove or reduce her overdraft. That doesn't appear to be how Ms M is using this overdraft, because she says she's using it all the time.

Santander has refused to allow Ms M to reduce her overdraft by a modest amount. It says that any change to her existing overdraft would have to be a substantial reduction, because if it was lending to her now, it would only offer her an overdraft of £500.

When Santander makes a lending decision (which would include a revision of Ms M's overdraft) it has to be sure it's complying with requirements around responsible lending. It needs to be sure it isn't lending Ms M more money than she can pay back. I think that may be why it doesn't want to reduce Ms M's overdraft by only £100. Then it has to make a decision on lending, and if it does have to make a decision, the only responsible decision it could make, would be to lend her £500.

But Santander is already lending Ms M £1,600. And it says it doesn't currently plan to reduce this. If Santander hasn't currently reached the view that the rules on lending would require it to take proactive steps to reduce Ms M's overdraft, then it seems unreasonable for the rules on lending to prevent Santander from reducing Ms M's existing lending by the small amounts that she is asking for, in order to help her reduce her overall debt.

So I'll instruct Santander, for the next six months, to reduce Ms M's lending once in any month when she asks it to do so, by the amount she requests. My current view is that, if it is able to do this, then it should do so. (I'll consider anything further that Santander says about this before reaching a final decision, in particular about whether it's able to do this.)

My decision won't affect Santander's overall rights under its agreement with Ms M, and its responsibilities to her. In particular, Santander wouldn't be required to restore any lending it has removed as a result of this decision, if Ms M changed her mind. And it wouldn't be prevented by my decision from reviewing Ms M's overdraft lending, and reducing or removing that lending, if it does consider that it ought to do so.

I appreciate that Ms M would find it easier to manage if her limit was reduced on a monthly basis, and my decision is designed to provide that for her. But I also note that there is no obligation on Ms M to use all of her existing overdraft. I don't think that Ms M has been required to continue to borrow the full amount of her overdraft by Santander's approach to Ms M's debt so far. So I won't ask it to pay compensation, or to take any further steps.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Ms M replied to say she had nothing to add. Santander replied to say it now thought it could help Ms M.

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.

Santander told us that it had made extensive enquiries, and there is now a new team, created to help customers with this type of situation. This team apparently has only been set up recently, due to the pandemic, and wasn't in place when Ms M first complained.

I'm very pleased to hear that Santander is now able to assist Ms M. I'll now make the award I originally proposed.

My final decision

My final decision is that Santander UK Plc must reduce Ms M's agreed overdraft amount once in any month when she asks it to do so, by the amount she requests. Santander UK Plc must do this for six months, starting from when Ms M accepts my final decision in this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 30 November 2020.

Esther Absalom-Gough

Ombudsman