

Complaint

Mrs K has complained that Santander UK Plc (“Santander”), amongst other things, unfairly added interest, fees and charges to her overdraft in circumstances when it ought to have realised she was already struggling to repay what she owed.

Background

One of our adjudicators looked at this complaint and thought Santander should have realised that Mrs K’s overdraft had become unsustainable for her by September 2014 and so it needed to refund all the interest, fees and charges it added to Mrs K’s overdraft from this point.

Santander didn’t respond to our adjudicator. So the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Santander will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I also think Santander acted unfairly when it continued charging overdraft interest and associated fees on Mrs K’s overdraft from September 2014.

By this point, Santander would have seen that Mrs K had been ‘hardcore borrowing’ for an extended period. In other words, Mrs K’s account remained persistently overdrawn for lengthy periods without returning to credit. Mrs K was also regular exceeding her overdraft limit and had regular paid and returned item fees added to her account.

So I think that by September 2014, Santander ought to have realised Mrs K was struggling, should have stopped providing the overdraft on the same terms and treated Mrs K with forbearance rather than adding even more fees and charges on the overdraft.

As Santander didn’t react to Mrs K’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably towards her. And as this led to Mrs K paying additional interest, fees and charges at a when she was already experiencing difficulty, I’m satisfied that she lost out as a result of Santander failing to act fairly and reasonably towards her. So Santander needs to put things right.

Fair compensation – what Santander needs to do to put things right for Mr G

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mrs K's complaint for Santander to put things right by:

- Reworking Mrs K's overdraft balance so that all interest, fees and charges applied to it from September 2014 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mrs K to arrange a suitable repayment plan for this. If Santander considers it appropriate to record negative information on Mrs K's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the account in September 2014.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs K along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mrs K's credit file.

† HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mrs K a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, upholding Mrs K's complaint. Santander UK Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 21 October 2021.

Jeshen Narayanan
Ombudsman