

The complaint

Mr P has complained that Santander UK Plc ("Santander") continued charging him excessive amounts for his overdraft when he was in financial difficulty.

What happened

Mr P complained to Santander that it acted unfairly by continuing to apply charges to his account when he was vulnerable and in financial difficulty. Santander didn't uphold the complaint. And as Mr P was dis-satisfied he referred the complaint to our service.

Mr P's complaint was considered by one of our adjudicators. She thought that Santander ought to have realised that Mr P was experiencing financial difficulty by February 2018 and so shouldn't have added any more interest, fees and charges from this point onwards. Santander didn't respond so the case was passed to an ombudsman.

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 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'm intending to find that Santander acted unfairly when it continued charging overdraft interest and associated fees from February 2018. By this point, it ought to have been clear that Mr P was in no position to sustainably repay what he owed within a reasonable period of time.

By this point, Mr P was already clearly struggling to manage his existing overdraft limit with Santander. For example, Mr P was constantly at his overdraft limit and incurring over the limit and returned item fees. In these circumstances, I think that Santander ought to have realised that continuing to allow Mr P to use his overdraft in this way wasn't in his best interests and there was a significant risk Mr P's indebtedness would increase unsustainably.

Mr P ended up paying additional interest, fees and charges on their overdraft and this ended up exacerbating difficulties he already had in trying to clear it. So I think that Santander didn't treat Mr P fairly and he lost out because of what Santander did wrong. And this means that it should put things right.

Putting things right

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

- Reworking Mr P's current overdraft balance so that all interest, fees and charges applied to it after the renewal in February 2018 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mr P to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr P's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in February 2018.

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 Mr P 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 Mr P's credit file.

† HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr P a certificate showing how much tax it has taken off if they ask for one.

My final decision

For the reasons I've explained, I'm upholding Mr P'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 Mr P to accept or reject my decision before 25 October 2021.

Caroline Davies
Ombudsman