

Complaint

Mr H has complained that Santander UK Plc ("Santander") unfairly continued applying charges on his account when it ought to have realised he was experiencing financial difficulty.

Background

One of our adjudicators looked at Mr H's complaint and thought that Santander ought to have been aware that Mr H was experiencing difficulty by June 2020 at the latest. So it needed to refund all the interest, fees and charges it added to Mr H's account from this point onwards. Santander didn't respond. 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 charges to an overdraft. So I don't consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I think Santander acted unfairly when it continued charging interest, associated fees and charges from June 2020.

By this point, Santander would have seen that Mr H had been 'hardcore borrowing' for a number of months. In other words, Mr H's account remained persistently overdrawn for lengthy periods without returning to credit. And he clearly wasn't using his overdraft for, generally accepted purpose, of short-term emergency borrowing.

So I think that by June 2020 Santander should have seen that Mr H was proving himself unable to repay what he owed within a reasonable period of time. And in these circumstances, Santander should have treated Mr H with forbearance and found out more about his ability to pay rather than adding even more interest, fees and charges to his account.

Mr H ended up paying additional interest, fees and charges at a time when he was already experiencing difficulty. So I'm satisfied that Mr H lost out because of what Santander did wrong and that it should put things right.

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

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

- Reworking Mr H's current account balance so that all interest, fees and charges added to the account from June 2020 onwards are removed.

AND

- If an outstanding balance remains on the account once these adjustments have been made Santander should contact Mr H to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr H's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in June 2020.

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 H 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 H's credit file.

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

My final decision

For the reasons I've explained, I'm upholding Mr H'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 H to accept or reject my decision before 5 November 2021.

Jeshen Narayanan
Ombudsman