

The complaint

Mr K is unhappy that Santander UK Plc approved him for an account type that he wasn't eligible for.

What happened

Mr K started an advanced apprenticeship in 2016 and asked Santander to convert his Everyday Current Account to a 123 Student Account. Santander agreed to Mr K's request and converted the account. In 2019, Santander converted the account again, this time to a 123 Graduate Account.

In 2021, Santander wrote to Mr K to advise that the account would be converted back to an Everyday Current Account, because a 123 Graduate Account only lasts two years. Mr K still had time remaining on his apprenticeship, so he went into a Santander branch to query this. Santander told Mr K that if he could provide evidence of his course and end date then the account could be reverted to a 123 Student Account until his studies were complete.

Mr K provided the requested evidence to Santander, but at that time Santander noticed that the apprenticeship that Mr K was engaged in didn't meet the criteria needed to qualify for a 123 Student Account, and that therefore Mr K should never have been given a 123 Student Account or the later 123 Graduate Account. Mr K wasn't happy about this, especially as the gathering of the course information that Santander requested had taken place at the time of a medical diagnosis and had caused him additional stress. So, he raised a complaint.

Santander looked at Mr K's complaint. They acknowledged that they'd made an error by providing a 123 Student Account to Mr K and apologised to Mr K for this. Additionally, because Mr K had been under the impression that he would benefit from an interest and fee free overdraft until July 2023 they agreed to suspend interest and fees on Mr K's Everyday Current Account overdraft until that time. Finally, in recognition of the trouble and upset the matter had caused Mr K, Santander offered to make a payment of £250 to Mr K as compensation.

Mr K wasn't satisfied with Santander's response and felt that Santander should write off his overdrawn balance and pay him a higher amount of compensation. So, he referred his complaint to this service. One of our investigators looked at this complaint, but they felt that the response that Santander had already issued to Mr K's complaint represented a fair and reasonable resolution to what had taken place, and so they didn't uphold Mr K's complaint.

Mr K remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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 have acknowledged that they made a mistake by offering Mr K a 123 Student Account and a later 123 Graduate Account because the apprenticeship that Mr K was engaged in didn't meet the criteria required by the terms of those accounts.

In such circumstances, what this service would expect would be that Santander would take corrective action to ensure Mr K isn't unreasonably disadvantaged by the recognition of this error, and that Santander would offer to fairly compensate to Mr K for any distress or inconvenience he may have incurred.

I think that Santander have done that here. They've agreed to provide Mr K with an interest and fee free overdraft for the length of time that he would reasonably have expected to have benefited from one had he been able to retain a 123 Student Account, and they've offered to pay Mr K £250 compensation for the trouble and distress that he's incurred.

It should be recognised that Mr K has benefitted financially from having the 123 Student Account as a result of the interest and fee free overdraft which he wasn't technically eligible for and which he wouldn't have received had his account remained as an Everyday Current Account during the period in question. As such, I'm satisfied that Mr K hasn't incurred any financial detriment as a result of Santander's error and his being given a 123 Student Account and later 123 Graduate Account.

I'm aware that Mr K feels that Santander should write off the overdrawn balance of his account because of their error, but this isn't an instruction that I would consider in this instance, and one reason for this is because Mr K has had the benefit of using the overdrawn monies and as such I consider it fair that he should repay those monies.

And, by allowing Mr K to continue to benefit from an interest and fee free overdraft for a further two years, I'm satisfied that Santander have taken steps to ensure that Mr K isn't detrimentally impacted by returning of his account to being an Everyday Current Account, and that this arrangement allows Mr K to arrange the repayment of the overdrawn amount without being charged interest or fees within a reasonable timeframe, should he choose to do so.

I'm aware that interest was charged to Mr K's overdraft by Santander following the conversion of Mr K's account to an Everyday Current Account and in contrast to Santander's confirmation that interest and fees wouldn't be applied for a further period. However, Santander, have been able to demonstrate that these amounts have been reimbursed to Mr K's account and have confirmed that no further interest or fees will be applied for the remainder of the time that they have agreed.

I'm also aware that Mr K feel that the offer of £250 compensation made by Santander doesn't go far enough and doesn't adequately account for the distress that this matter caused him at a time when he had received a medical diagnosis.

Matters of compensation can be subjective, with an offer considered as being fair and reasonable by one party not being considered as being such by someone else. But, while I can appreciate Mr K's position, the £250 that Santander have offered to Mr K here does feel fair to me, and I can confirm that it's commensurate with what this service would expect, given the circumstances.

All of which means that I feel that the response that Santander have already issued to Mr K's complaint, including providing Mr K with an interest and fee free overdraft until July 2023 and the offer of £250 compensation, does represent a fair and reasonable resolution to this complaint, and it follows from this that I won't be upholding this complaint or instructing Santander to take any further action beyond that to which they've already agreed.

I realise that this won't be the outcome that Mr K was wanting, but I trust that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 December 2021.

Paul Cooper
Ombudsman