

The complaint

Miss B has complained that Santander UK Plc ("Santander") continued charging her excessive amounts for her overdraft when she was in financial difficulty.

What happened

Miss B complained to Santander that she was suffering from extreme financial hardship due to charges applied to her account. Santander says it assisted Miss B by changing her account to a choice account and that all charges were applied in line with the terms and conditions of the account. And as Miss B was dis-satisfied she referred the complaint to our service.

Miss B's complaint was considered by one of our adjudicators. They thought that Santander ought to have realised that Miss B was experiencing financial difficulty from 20 October 2016 and so shouldn't have added any more interest, fees and charges from this point onwards until 2 December 2020. Santander disagreed, so the case was passed to an ombudsman.

Your text here

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 on Miss B's overdraft from 20 October 2016. By this point, it ought to have been clear that Miss B was in no position to sustainably repay what she owed within a reasonable period of time.

By this point, Miss B had already notified Santander of a drop in income and her financial difficulties and she hadn't seen or maintained a credit balance for an extended period of time. Santander's own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. So I think that Miss B's overdraft usage should have prompted Santander to have realised that Miss B wasn't using her overdraft as intended and shouldn't have continued offering it on the same terms. As Santander didn't react to Miss B's overdraft usage and instead continued charging, I think it failed to act fairly and reasonably.

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

In reaching my conclusions, I've thought about what Santander has said about the Consumer Credit Sourcebook, the terms and conditions of Miss B's account, its process and any actions it may have taken. But for the reasons I've already explained, I remain satisfied that it wasn't fair to continue adding charges to Miss B's account from 20 October 2016 to 2 December 2020.

Putting things right

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

- Reworking Miss B's current overdraft balance so that all interest, fees and charges applied to it from 20 October 2016 to 2 December 2020 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Miss B to arrange a suitable repayment plan, Miss B is encouraged to get in contact with and cooperate with Santander to reach a suitable agreement. If it considers it appropriate to record negative information on Miss B's credit file, Santander should reflect what would have been recorded had it started the process of taking corrective action on the overdraft from 20 October 2016 to 2 December 2020. Santander can also reduce overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Miss B over their limit.

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 Miss B 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 Miss B's credit file. Santander can also reduce Miss B's overdraft limit by the amount of refund if it considers it appropriate to do so.

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

My final decision

For the reasons I've explained, I'm upholding Miss B'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 Miss B to accept or reject my decision before 18 February 2022.

Caroline Davies
Ombudsman