

The complaint

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

What happened

Miss S complained to Santander about the charges that had been applied to her account. Santander didn't uphold the complaint. And as Miss S was dissatisfied, she referred the complaint to our service.

Miss S's complaint was considered by one of our adjudicators. She thought that Santander ought to have realised that Miss S was experiencing financial difficulty by 4 October 2016 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 after 4 October 2016. By this point, it ought to have been clear that Miss S was in no position to sustainably repay what she owed within a reasonable period of time.

I say this because, by this point, it was clear that Miss S was having difficulty managing her money. Miss S's statements show that she had a number of returned direct debits – including the payment for her mortgage – and she was clearly using her overdraft to make ends meet as she was reliant on it to meet essential payments, there was also evidence that Miss S was using payday lenders. In these circumstances, it ought to have been apparent that Miss S was at a significant risk of experiencing financial difficulty and so she should have been treated with forbearance rather than having had even more interest, fees and charges added to her overdraft.

Miss S 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 S fairly and she 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 Miss S's complaint for Santander to put things right by:

- Reworking Miss S's current overdraft balance so that all interest, fees and charges applied to it after 4 October 2016 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Miss S to arrange a suitable repayment plan, Miss S 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 S's credit file, Santander should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in October 2016. Santander can also reduce the overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Miss S over her 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 S 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 S's credit file. Santander can also reduce Miss S's overdraft limit by the amount of the 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 S a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Miss S'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 S to accept or reject my decision before 22 February 2022.

Sophie Mitchell
Ombudsman