

Complaint

Miss B has complained that Santander UK Plc ("Santander") unfairly continued applying charges on her overdraft which caused her debts to spiral and financial difficulty.

Background

One of our adjudicators looked at Miss B's complaint and thought Santander should have realised Miss B's overdraft had already become unsustainable by April 2017. So it needed to refund all the interest, fees and charges it added to Miss B's overdraft from this point.

Santander disagreed and 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 overdraft charges. 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 overdraft interest and associated fees from April 2017. By this point, it was evident Miss B was struggling financially.

A cursory look at her statements leading up to this period shows that Miss B had been struggling to maintain his overdraft at its limit for an extended period of time. Her account displayed a clear pattern of constantly being at the limit by the time her wages were due to be credited. This was a clear indication that she was struggling to manage. Miss B's statements also show regular and significant payments going to unsustainable sources too.

So I think that by April 2017 Santander should have stopped providing the overdraft on the same terms and treated Miss B with forbearance rather than adding even more interest, fees and charges on the overdraft.

All of this means that Santander should have realised that Miss B was experiencing difficulty and proactively offered her help to repay what she owed. As Santander didn't react to Miss B's account usage and her apparent difficulty, I think it failed to act fairly and reasonably.

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 April 2017.

Miss B ended up paying additional interest, fees and charges at a time when she was already experiencing difficulty.

So I'm satisfied that Miss B 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 Miss B

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 April 2017 onwards 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 for this. If it considers it appropriate to record negative information on Miss B's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in April 2017. Santander can also reduce Miss B's overdraft limit by the amount of any refund if it considers it appropriate to do so, as long as doing so wouldn't leave her 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 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 she asks for one.

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 21 February 2022.

Jeshen Narayanan
Ombudsman