

## The complaint

Mr D has complained that Santander UK Plc (“Santander”) didn’t tell him about the changes to its overdraft pricing structure and says this caused him financial difficulty.

## What happened

Mr D complained to Santander after he realised he had been charged fees for using his account. This was following his account being changed. Mr D said he wasn’t told the account would be changing and the extra cost would make his overdraft more difficult to repay.

Santander didn’t uphold the complaint and said it provided Mr D with notification his account would be changing. It refunded the fees Mr D had paid in January 2020 as a gesture of goodwill. As Mr D was dissatisfied, he referred the complaint to our service.

Mr D’s complaint was considered by one of our adjudicators. She thought that Santander ought to have realised that Mr D was experiencing financial difficulty by February 2020 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 think Santander acted unfairly when it started charging Mr D for using his overdraft from December 2019, after it changed his account. Looking at the statements of Mr D’s account, the account has never had a credit balance since it was opened in 2016. So when Santander changed the account type and started charging Mr D for using the overdraft, it ought to have been clear that Mr D was in no position to sustainably repay what he owed within a reasonable period of time, given his use of the account since it had been opened and as the overdraft limit had nearly been met.

By this point, Mr D had got in contact with Santander to complain he wasn’t told he would be charged fees and to explain he was having difficulty with his finances and that the charges being added were making this worse. In these circumstances, Santander ought to have offered assistance and treated Mr D with forbearance rather than add even more interest, fees and charges to his overdraft. I accept that Santander did refund the fees for January 2020. But as it started charging again without establishing that Mr D’s position had improved and that he was able to manage, I don’t think that this went far enough or it means that Santander acted fairly and reasonably.

Mr D ended up paying additional interest, fees and charges on his overdraft and this ended up exacerbating difficulties he already had in trying to clear it. So I think that Santander didn't treat Mr D fairly and he 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 Mr D'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 Mr D's account from February 2020.

### **Fair compensation – what Santander needs to do to put things right for Mr D**

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

- Reworking Mr D's current overdraft balance so that all interest, fees and charges applied to it after the account change in December 2019 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mr D to arrange a suitable repayment plan. Mr D 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 Mr D's credit file, Santander should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in December 2019. 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 Mr D over his 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 Mr D 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 D's credit file. Santander can also reduce Mr D'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 Mr D a certificate showing how much tax it has taken off if they ask for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mr D's complaint. Santander 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 D to accept or reject my decision before 17 February 2022.

Sonia Ahmed  
**Ombudsman**

