

Complaint

Ms O has complained that Santander UK Plc (“Santander”) unfairly added interest, fees and charges to her overdraft which led to her missing payment on her credit card.

Background

One of our adjudicators looked at Ms O’s complaint and thought Santander should have realised Ms O’s overdraft had already become unsustainable for her by June 2016. So it needed to refund all the interest, fees and charges it added to Ms O’s overdraft from this point. Santander didn’t agree 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 June 2016. By this point, it was evident Ms O’s overdraft had become unsustainable for her. A cursory look at her statements during this period shows that Ms O hadn’t seen a credit balance for an extended period of time. And by this stage the credits going into the account didn’t suggest that it was reasonable for Santander to believe that Ms O was in a position to repay what she owed without borrowing further or experiencing difficulty either.

So I think that by June 2016 Santander should have stopped providing the overdraft on the same terms and treated Ms O with forbearance rather than adding even more interest, fees and charges on the overdraft.

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

Ms O ended up paying additional interest, fees and charges at a time when she was already struggling to repay what she owed. So I’m satisfied that Ms O 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 Ms O

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

- Reworking Ms O's current overdraft balance so that all interest, fees and charges applied to it from June 2016 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Ms O to arrange a suitable repayment plan, Ms O 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 Ms O's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in June 2016. Santander can also reduce Ms O's overdraft limit by the amount of 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 Ms O 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 Ms O's credit file. Santander can also reduce Ms O'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 Ms O 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 Ms O'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 Ms O to accept or reject my decision before 29 March 2022.

Jeshen Narayanan
Ombudsman