



The complaint

Mr W has complained that Santander UK Plc ("Santander") agreed to extend his interest free overdraft and then went back on this decision. He says it was unfair to continue to apply charges to his account when he was in financial difficulty.

What happened

Mr W held a graduate account which reverted to an everyday account in July 2021. Mr W received notification of charges that were to be debited from his account and contacted Santander about this. Santander agreed to extend the interest free period of Mr W's graduate account and compensated Mr W £40 acknowledging he'd had to call four times which had caused confusion and inconvenience.

The following month and after further investigation Santander wrote to Mr W and it explained that it wasn't possible to extend the interest free period on a graduate account as he wasn't eligible for it and his account had reverted to an everyday account that will incur charges for use of the overdraft facility. Santander compensated Mr W a further £50 for providing incorrect information.

Mr W was dis-satisfied with this and referred his complaint to us. One of our adjudicators looked at this complaint and thought that Santander should have stopped charging overdraft fees from September 2021 as by this point it was clear Mr W was in financial difficulty and hadn't seen or maintained a credit balance for an extended period of time and thought Santander should have done more and shouldn't have continued offering the overdraft on the same terms.

Santander agreed to make an offer in-line with our adjudicators view. It said that it would:

- Re-work Mr W's overdraft balance so that all interest, fees and charges applied to it from September 2021 to date are removed and apply 8% interest to that amount.
- Santander will use the settlement amount to reduce Mr W's overdraft balance and will reduce the overdraft limit to the value of the remaining balance.
- As there will still be a remaining balance Mr W should contact Santander's Financial Support Team within 30 days so that a reduction plan can be put in place to clear the remaining balance.
- During this period, Santander will suspend fees and interest from being applied to the account.

Mr W wanted to accept this offer on the condition that additional compensation is considered and asked for an ombudsman's decision.

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.

Having carefully considered everything, I think that what Santander has already agreed to do to put things right for Mr W is fair and reasonable in all the circumstances of this complaint. I'll explain why I think this is the case.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been charged the fees and given the credit they shouldn't have and we *may* award modest compensation.

So where a business continues to allow a consumer to use a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable.

And in this case I'm in agreement with our adjudicator here that by September 2021 Santander should've done more for Mr W as by this point it ought to have been apparent that Mr W was in financial difficulty – a cursory look at his bank statements showed he hadn't seen or maintained a credit balance for an extended period of time.

Santander have told us that Mr W would've still been left with an outstanding debt, once all adjustments had been made, and he's been 'refunded' all of the interest, fees and charges caused by his overdraft from September 2021 and that Mr W should get in touch to put a reduction plan and that it would continue to suspend fees and interest from being applied to the account.

So while Mr W has been left with a balance and he might be unhappy with this, Santander has done what I'd normally expect it to do here. What Mr W was left with to repay are the funds which he used and benefitted from and I don't agree that the interest, fees and charges left him with a debt that he wouldn't otherwise have been left with.

I understand Mr W would like to be awarded further compensation for the for distress caused by Santander going back on its decision to extend the interest free period on his overdraft but Santander has already compensated Mr W £90 for its error which I consider fair and reasonable in the circumstances.

I appreciate that Mr W changed his account to a different account which had lower fees and he wouldn't have had to do this if Santander had continued to agree to extend his interest free overdraft. But Mr W was no longer eligible for the graduate account and Santander is under no obligation to provide this or a particular product just like Mr W is under no obligation to continue to bank with it.

So bearing in mind all of this, I'm satisfied that what Santander has already agreed to do to put things right for Mr W is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more. As this is the case, it's up to Mr W to decide whether he wishes to now accept Santander's offer.

My final decision

For the reasons I've explained, I'm satisfied that what Santander UK Plc has already agreed to do to put things right for Mr W is fair and reasonable in the circumstances of this case. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 July 2022.

Caroline Davies
Ombudsman