

## **The complaint**

Miss T complains that Santander UK Plc (“Santander”) applied fees and charges to her current account after a Debt Relief Order (“DRO”) was put in place.

## **What happened**

Miss T held an account with Santander with a £500 overdraft facility. In January 2019 Miss T applied for a DRO. The effective start date of this was 30 January 2019 and was to last one calendar year.

Santander was listed on the DRO creditor list with a sum owing of £491 but at the point the DRO came into force the balance on Miss T’s account was £350. Santander received notification of the DRO on 7 February 2019 and the account was moved to its DRO collections team where the account should’ve been closed, overdraft facility removed and account defaulted.

But as a credit payment of £585.80 came into the account in late February 2019 it was mistakenly moved back out of its collections team and Miss T was able to and did, continue using the account and overdraft facility incurring charges and interest when the account was overdrawn.

Miss T complained to Santander in May 2021 regarding this. On review Santander acknowledged its mistake and immediately froze the account and blocked interest and charges straight away. It says as Miss T had benefited by its error it was not prepared to may any amendments to the account.

Miss T was dis-satisfied with this and brought her complaint to this service.

Following bringing her complaint to our service Santander offered to settle the complaint by:

- Refunding account fees and arranged overdraft usage fees for the period 30 January 2019 until 30 January 2020. This amounts to a total of £426.49 including 8% simple interest. Santander will also pay £100 compensation.
- In line with its terms and conditions Santander will use this settlement amount £526.49 to reduce Miss T’s overdraft balance and it will reduce the overdraft limit to the value of the remaining overdraft balance.
- If Miss T still has a remaining overdraft balance it asks her to get in touch with its financial support team within 30 days to arrange a reduction plan to clear the remaining balance. During this period it will suspend fees and interest from being applied to the account.
- Usually when a DRO has been put in place the customers account would be closed and overdraft removed meaning the account would be in arrears and likely adverse information reported on the customers credit file. Santander has said no adverse information will be reported on Miss T’s credit file regarding this.

Our adjudicator looked at all this and thought this was a fair way to settle Miss T's complaint. Miss T did not wish to accept this offer. She would like all fees refunded since the start of the DRO, £100 compensation and the initial overdraft debt that was subject to the DRO written off and has 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.

My role is to look at the problems Miss T has experienced and see if Santander has done anything wrong. If it has, I would seek – if possible - to put Miss T back in the position she would've been in if the mistakes hadn't happened. And I may award modest compensation that I think is fair and reasonable.

In this case it is not disputed that Santander has made a mistake by continuing to allow Miss T to use the overdraft facility and continuing to apply charges to her account for the use of the facility and failed to comply with its obligations under the terms of the DRO. So the question I have to answer is what would be a fair way for Santander to put things right?

Santander have told us that what would usually have happened in this situation is that Miss T's account would've been closed and the overdraft removed. This would've meant Miss T's account would've been in arrears for any outstanding overdraft balance and likely adverse information reported on her credit file.

Unfortunately, because this didn't happen and Miss T was able to and has continued to use her account and overdraft facility during the period the DRO was in place and it is not possible to easily say what Miss T's financial position would've been had things happened as they should of. But to put things right as outlined above, Santander has offered to refund all interest and charges incurred plus interest and work with Miss T to repay the outstanding balance of her overdraft, if any – and unusually Santander has agreed not to report adverse information on Miss T's credit file.

So I think what Santander has offered to do to settle the complaint is a practical solution to a tricky situation and is fair and reasonable in the circumstances - especially considering Miss T has had the benefit of an account and overdraft facility during the period that she shouldn't of and no adverse information reported on her credit file.

So, in summary as I think what Santander has offered to do is a fair way to settle Miss T's complaint and I'm not going to ask Santander to do anything more.

### **My final decision**

For the reasons I've explained I think what Santander UK Plc has offered to do is a fair way to settle Miss T's complaint and I am not going to ask it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 13 October 2022.

Caroline Davies  
**Ombudsman**