

The complaint

Mr S complains that Santander UK Plc should reopen the account they closed down when his account defaulted.

What happened

Mr S had a current account with Santander which had an overdraft. Santander took the decision to firstly reduce, then remove the overdraft and they asked him to arrange the repayment of his overdrawn balance. As Mr S was unable to do so, the account entered their collections process and then Santander registered a default with the credit reference agencies.

Mr S has already brought a complaint to our service, of which a final decision has been issued. The decision said that Santander should have realised Mr S had reached a position by December 2015, that he wasn't going to be able to clear his overdraft without help, so Santander should have stopped providing the overdraft on the same terms. As a result of the outcome of this complaint, Santander removed the default from Mr S's credit file.

Mr S says that as a result of this decision, Santander had unfairly closed his account. And he wanted Santander to now reopen this account. Mr S made a complaint to Santander, but they did not uphold it. They said that his account was closed as part of the collections and recoveries process and they were unable to reopen his account. They said he could apply for a new account, but it would not be guaranteed to be accepted. Mr S brought his complaint to our service.

Our investigator did not uphold the complaint. He said while he appreciated that Mr S felt that the default, and subsequent closure was unfair, Santander's notes suggested he wasn't in a position to agree to a regular arrangement to pay off the overdraft outstanding balance and his financial difficulties weren't short term either. He said the income and expenditure confirmed Mr S had a deficit of £77 a month, meaning his outgoings were more than his income. So, he didn't think Santander acted unfairly in taking steps to close the account and default it - as this stopped any further charges from being applied and the outstanding balance increasing in value.

Mr S asked for an Ombudsman to review his complaint. He said that his bank account had only been closed due to the default and Santander treated him unfairly since 2015. He said if Santander had treated him fairly since 2015, there would not have been a default and the account would not have been closed in 2020. He said the Ombudsman should read the decision that was issued on his separate complaint and treat his current complaint as if the default had never happened. He said if the default never happened, his account would never have been closed.

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.

I'd like to explain to Mr S that it is not within this service's remit to tell a business what their policies and procedures should be when closing or reopening an account due to collections activity. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Santander to make changes to their policies and procedures, if necessary. Our service acts as an informal dispute resolution service for complaints about financial businesses. We look at the circumstances of individual complaints and, on a case by case basis, taking into account relevant industry guidance for example, make findings about whether a financial business has failed their customer.

I've noted the strength of feeling that Mr S has about wanting his account to be reopened. He feels that if the default would have never happened, then his account would have never been closed and he would be able to still use this account. So I do understand why this is important to him.

Mr S has asked me to look at the decision our service made in January 2022, to provide context as to why it would be fair for Santander to reopen the account. Although I may reference part of this decision in my decision here, I want to be clear to Mr S that I won't be making any findings on the merits of any issues which have already been addressed as part of his separate complaint.

The separate decision Mr S received from our service did not say that Santander should not have closed his account. The decision included the following paragraph: *"I know that Mr S is unhappy with Santander having reduced and then removed his overdraft in the period between 2019 and 2021. But as I've found that Santander already ought to have taken corrective action in relation to Mr S' overdraft some four years earlier, it follows that I don't think it acted unfairly or unreasonably when it did, albeit belatedly, eventually take this course of action. And therefore, I'm not upholding this part of Mr S' complaint."*

As the decision has said, Santander should have taken corrective action previously. It's difficult to say what corrective action Santander should and would have taken four years earlier. But it's possible that the same thing which happened in 2020, (the account closing and defaulting) could have happened at an earlier point as Mr S was still heavily into his overdraft. And he had seemingly little means to be able to repay the overdraft back if Santander requested this. It would appear he may also struggle to repay any reduction in the arranged overdraft limit also if Santander requested this, based on his limited income and outgoings, which his statements show from that time period. So I'm not persuaded that just because Santander removed the default that this means that they should also reopen the account.

It also appears that Mr S may have tried to close the account anyway. I say this as I've looked at Santander's system notes prior to the account defaulting – as Mr S has indicated this should be considered as if the default never happened. But Santander's notes show that Mr S himself asked for the account to be closed – long before his account was closed and defaulted.

The notes show that Santander received a letter from Mr S dated 31 March 2020. In which he told them he couldn't pay the overdraft or arrears and they should close his account. The notes show they attempted to contact Mr S to inform him that they were unable to close an account when a balance is owed to them, but they were unable to speak to him so they sent a letter to him to say that he should contact their collections department.

The notes on 27 July 2020, show Mr S rang and spoke to Santander. The notes show that he advised them he had received a letter about the closure of the account and the call handler told him that the outstanding balance would need to be paid before the account closes. Again this was before the account defaulted.

So I'm not persuaded that Mr S's account was only closed because of the default and therefore it should be reopened because Santander removed the default from his credit file. Mr S had encountered financial difficulties for a number of years before the default had been registered, which has been highlighted in a separate decision issued by our service.

It's probable that if Santander had taken action a number of years earlier, that the outcome would have been the same in which Mr S's account would have been closed. I say this as it would be unlikely (based on his statements showing his dependency on the overdraft) that Mr S would be able to repay the overdraft on demand (or within 30 days notice), as Santander's terms and conditions could ask him to, or to even pay a part of the arranged overdraft if they reduced his limit.

In addition, Mr S may have instructed Santander to close his account down at an earlier point in time if they took this action years ago, as he did in 2020. Santander's terms and conditions allow them to request repayment of an overdraft or for them to close an account without reason, in the same way Mr S would have been able to close his account down (if there wasn't a balance owed to them) without reason. So for these reasons I won't be asking Santander to reopen his account.

I'm sorry to read that Mr S currently doesn't have a bank account. Santander have said that he is welcome to apply for a new current account with them, but they can't guarantee the outcome of the application. I'm satisfied that this is fair as there are a number of factors which would go into approving a current account. Alternatively, Mr S may want to try and open an account with a different provider. But for the reasons I've already given, I don't require Santander to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 December 2022.

Gregory Sloanes
Ombudsman