

## **The complaint**

Mr H says that Santander UK Plc (“Santander”) acted irresponsibly by approving an overdraft for him. He says the charges he incurred for this were unaffordable and caused financial difficulty.

## **What happened**

Mr H applied and opened an account with Santander in March 2019. As a gesture of goodwill Santander refunded £50 overdraft fees in September and advised Mr H that under its policy there would be no further refunds. Mr H stopped using the account at the start of October when it had a debit balance of £290 and the account entered collections in November.

Mr H got in touch regarding financial difficulties in February 2020. Santander requested Mr H complete his income and expenditure before it could agree an arrangement to pay back the overdraft. Mr H returned his income and expenditure but as the details were unclear and Santander had no further payments or contact from Mr H his account was transferred to a third party debt collection agency and a default applied to Mr H’s credit file.

Mr H complained to Santander that it never should have granted him with an overdraft which has left him in financial hardship due to the excessive charges. Santander said all the checks were carried out correctly and based on the information Mr H provided it agreed to the overdraft requested. Santander said all fees were applied correctly in line with the terms and conditions of the account and that it was Mr H’s responsibility to inform it should his circumstances change and the overdraft was no longer affordable.

Mr H was dis-satisfied with this and brought his complaint to this service. One of our adjudicators looked into Mr H’s concerns and didn’t think there was anything in the information Mr H provided to Santander when he applied for his overdraft to suggest he wouldn’t be able to repay it within a reasonable period of time, so didn’t think Santander had done anything wrong or treated Mr H unfairly.

Mr H disagreed and the complaint was passed to an ombudsman for a final 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.

We’ve set out our general approach to complaints about irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Mr H’s complaint. Having considered everything provided, I’ve decided not to uphold Mr H’s complaint. I’ll explain why in a little more detail.

Santander needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Santander needed to carry out proportionate checks to be able to understand whether Mr H would be able to repay what he was being lent before providing any credit to him. Our

website sets out what we typically think about when deciding whether a lender's checks were proportionate.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

I've kept all of this in mind when thinking about whether Santander did what it needed to before agreeing to Mr H's overdraft. Mr H was given what was an open-ended credit facility. So overall this means the checks Santander carried out had to provide enough for it to be able to understand whether Mr H would be able to repay his overdraft within a reasonable period of time.

Mr H opened an account and applied for a £300 overdraft in March 2019. Santander says it carried out all checks taking into account information Mr H provided about his income and expenditure checking it against information held both internally and externally. And based on this information Santander was satisfied his score was high enough to provide him with the overdraft limit and facility he requested.

I accept that Mr H's financial position may well have been worse than the check carried out showed or in any information he disclosed to Santander at the time. And it is possible that further checks might have told Santander this. But given the relatively low amount of credit being advanced I think Santander's checks went far enough and it was reasonably entitled to rely on the credit check it carried out. So I don't think Santander provided Mr H with an overdraft unfairly or responsibly.

I've seen that Mr H has in some of his correspondence referred to the proportionality of the charges applied to his account. But before I go any further, I want to be clear in saying that I haven't considered whether the various amounts Santander charged over the years were fair and reasonable, or proportionate in comparison to the costs of the service provided.

Ultimately, how much a bank charges for services is a commercial decision. And it isn't something for me to get involved with. That said, while I'm not looking at Santander's various charging structures or processes per se, it won't have acted fairly and reasonably towards Mr H if it applied any interest, fees and charges to Mr H's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr H was experiencing financial difficulty.

So I've considered whether there were instances where Santander didn't treat Mr H fairly and reasonably. I don't think that Santander did treat Mr H unfairly or unreasonably though. I say this because having looked at Mr H's statements I can't see anything to suggest that Santander ought to have realised he might have been experiencing financial difficulty prior to when Mr H stopped using his account in October 2019 and Santander being notified of financial difficulties in February 2020.

In the short period of time that Mr H used his account the statements show that Mr H did use his overdraft, but that in itself isn't enough to show that Santander ought to have known Mr H was in financial difficulty. Initially Mr H received credits into his account that at times brought his account into credit and if not into credit reduced it. I accept that Mr H did exceed his limit in August 2019, but I can see this was rectified the following month with a large transfer in which again brought his account into credit. I can also see that although some bills were

being paid from the account there were just as many non-committed, non-contractual and discretionary transactions.

Again, this doesn't necessarily mean Mr H wasn't experiencing financial difficulty. But I don't think there is enough here which ought to have alerted Santander to any potential financial difficulty before Mr H stopped using the account and got in touch. And in these circumstances, I don't think that it was unreasonable for Santander to proceed with adding the interest, fees and charges it did.

So I don't think that Santander treated Mr H unfairly or unreasonably and this means that I'm not upholding this complaint.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 December 2022.

Caroline Davies  
**Ombudsman**