

## The complaint

Mr K complains that Santander UK Plc did not apply an overpayment to his account and he complains of service failings related to his loan.

## What happened

Mr K had a personal loan with Santander. He said that on 19 February 2022, he made an overpayment of £300, so he expected his outstanding balance to reduce to £570.13. He says when he made a £250 payment on 8 March 2022, he expected the outstanding balance to be  $£570.13 - £250 = £320.13$ . He says Santander gave him the wrong balance and then they suggested they use the overpayment in a different way. Mr K says he is not responsible for their mistake, and he didn't allow them to use the overpayment in a different way. Mr K says Santander said his balance was £531.38 instead of £320.13. He made a complaint to Santander. He wanted the difference of £211.25 as compensation.

Santander partially upheld Mr K's complaint. They said although the balance that he saw on 11 March 2022 showed £320.13 outstanding, on all of their systems, they couldn't see this balance ever being connected to his loan and they could only think it's been a glitch on the application (app), as his current balance is correct which was £531.38. Santander said as a gesture of goodwill, they would apply half the difference of the remaining balance which was £105.63. Mr K brought his complaint to our service.

Our investigator did not uphold Mr K's complaint. She said the payments in question had been applied to the loan account and the balance was correct. Mr K asked for an Ombudsman to review his complaint. He made a number of points. In summary, he said when he paid £300 on 21 February 2022, his balance was £870.13 showing on his account and from the branch. He questioned why Santander sent him a letter on 1 March 2022 in which they asked him to allow them to use his £300 overpayment in a different way.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"Mr K has made a number of points to this service and Santander and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.*

*Mr K has provided our service with a receipt dated 8 March 2022. Here, this receipt shows two different sets of handwriting. Mr K has said the branch staff wrote the balance on the receipt for him. So it looks like he was told on 8 March 2022 (and not on 1 March when he made the previous £300 overpayment or in February when he made the other £300 overpayment), that his outstanding balance was £870.13 and with the £250 overpayment he was making that day it would reduce the outstanding balance to £620.13.*

*So I'm satisfied that Santander branch staff on the balance of probabilities told Mr K this information. When I've cross-referenced this to the system running outstanding balance Santander have provided me, the outstanding balance prior to the £250 overpayment is*

*different – as it shows that after the two overpayments of £300 was made to his loan balance, the outstanding balance was actually lower than what the branch told him – the systems showed he owed £858.69.*

*I asked Santander why the two figures would be different. They explained to me that there is the current outstanding balance and a settlement figure and these two would be different as a settlement figure would include the interest to be charged which accumulates each day and is usually paid when the monthly payment falls due. So I'm satisfied that the branch staff likely gave Mr K a settlement figure on 8 March 2022, to show what he would need to pay to settle his loan account. After the £300 was paid twice and the £250 was paid, Santander's systems show an outstanding (not settlement) balance of £608.69. When Mr K paid his normal monthly direct debit payment, the statement shows £77.31 of the payment reduced the capital (with the remainder being interest) and £531.38 was the new outstanding balance after his March direct debit payment was credited to the account.*

*Mr K may think that he owed less than what Santander are telling him he owed, based on what he says about the local branch telling him what his balance was and there being a possible glitch in the app showing his balance. So I've had a look at the running outstanding balance of his account since it has been opened. And this shows that the three overpayments in early 2022 have been applied to his loan account. Mr K has provided us with three receipts – one dated 21 February – but this is a transfer of £300 from his savings account to his current account (not to his loan account), one dated 1 March 2022 for £300 and one dated 8 March 2022.*

*Part of the issue appears that the date of the overpayments when Mr K has made them do not appear on his loan account straight away. This is not unusual in the same way a payment to a credit card may take several days before it shows on the account. Here, from the evidence I've seen, it appears Mr K made an overpayment on 18 February – as his current account statement shows a £300 transfer, a £300 overpayment on 1 March as shown by his branch receipt and cash of £250 paid on 8 March as confirmed by his receipt.*

*But on his movements, these are shown as payments crediting to his loan on 1 March, 11 March and 11 March. It is not clear why payments made on 1 and 8 March have took a different number of days to credit his account. But I've seen letters sent to Mr K to confirm these payments have been made. A letter sent to him dated 1 March says "Thank you for your partial repayment of £300.00, which has been credited to your loan account on 19-02-2022". A letter sent to him dated 11 March says "Thank you for your partial repayment of £300.00, which has been credited to your loan account on 19-02-2022" and a letter sent to him also on 11 March 2022 says "Thank you for your partial repayment of £250.00, which has been credited to your loan account on 09-03-2022".*

*But because of the time the payments took to credit Mr K's account, this may be a reason why the balance is displayed differently on an app or when he asked Santander staff to give him the outstanding balance on his loan. But while I'm satisfied that Santander have applied the overpayments to his account. I can also see on a number of occasions where they have sent Mr K incorrect information about his loan. And I'll explain why.*

*I previously highlighted the letters that Santander had sent Mr K about his overpayments. But two of these letters dated 1 and 11 March show the different £300 payments had been credited to his account on 19 February 2022. But Mr K did not make two overpayments on this date. It appears that one overpayment of £300 was made on 18 February. As this could have been made after a cut off time to credit his loan, it would not be unusual for the transaction to show as the following day, but it is not clear as to why both of the £300 overpayments would have been credited to his loan account on 19 February when one was made on 1 March.*

*It's possible that an error was made which backdated one of the overpayments incorrectly to 19 February 2022 – although this would be in Mr K's favour as he would be charged less interest than if it was applied to his loan on 1 March 2022.*

*In addition there was other correspondence sent to Mr K from Santander which does not reflect the activity on the account or what some of Santander's system screenshots show me. One of these is the statement which was sent to Mr K which shows his loan account summary, including transactions between 19 October 2020 – 18 October 2021. This shows the total loan outstanding as £1,826.64 and if the loan was to be settled on 20 October 2021 (for illustration purposes) the payment needed would be £1,857.90, but his movements show that his balance after his September 2021 payment was made, was £1,799.73. So it is not clear how these figures were different. While the settlement figure would understandably be higher based on the reasoning I gave earlier, it's not clear why the statement balance sent to Mr K was higher than the balance on his movements.*

*But it's the loan overpayment statement which Santander sent Mr K dated 4 November 2022, which would be the most distressing for Mr K to receive. I say this because it covers overpayments from 19 October 2021 – 1 November 2022. But it only shows one overpayment of £300 instead of two overpayments of £300. As Mr K believes that Santander only credited one overpayment of £300 then what they sent Mr K would appear to support what he believes to have happened. While I have seen the movements system to evidence all of the overpayments had been credited to his account, Mr K would not have access to Santander's direct systems to show all three overpayments were made, so this would have been distressing for him to receive incomplete information here.*

*So it does appear that Mr K may have experienced more than one technical issue with his loan. Santander have already paid Mr K £105.63 for what he said about the technical issue with the app. But I'm not persuaded this reflects the impact that all of the technical issues would have had on Mr K. I've already documented the impact that the overpayment statement not showing all of the overpayments on there would have on Mr K and him being told incorrect balances at times.*

*So I think it would be fair and reasonable for Santander to increase the amount of compensation by another £100 to recognise the impact of all of the technical errors that happened here, to recognise the distress this would have caused Mr K, which led him to believe all of his overpayments weren't credited to his loan. As the payments were made February/March and then to receive incorrect document in November, several months later, this would have been very distressing for Mr K. So it follows I intend to ask Santander to put things right for Mr K."*

I invited both parties to let me have any further submissions before I reached a final decision. Santander accepted the provisional decision but they wanted to provide comments to some of my provisional decision, which they thought might add value to my final decision. In summary, they explained the document they issued on 21 October 2021, that the figure of £1,799.73 was the loan balance of £1,828.42 prior to the interest due of £28.69 being applied to the account.

Santander acknowledged the confusion with the running balance figure of £1,799.93, quoted in my provisional decision as outstanding, after the payment made in September 2021 was taken, which can be seen on the account movements. They also acknowledged that the overpayment statement might be confusing and they can see why Mr K might have been under the impression that one of them was not applied to the account, but this was not the case.

Mr K responded to the provisional decision and he made a number of points. In summary, he said that Santander sent him two letters which were dated 1 March 2022 where one letter was signed and another one was not signed by a senior staff member of Santander. He said Santander intentionally caused him great harm and £100 can't repair the harm caused. He said they asked him to use his £300 in their different way and they are trading with his money without his permission and they must pay him big money.

Mr K also asked which figure created and brought to evidence the glitch of £870.13 before his overpayment of £300 and how they credited £300 on his loan account only after the discovery and correction of the glitch. He also said that in the beginning of this issue he had a telephone conversation with Santander, but he accused them of lying as he said the branch staff has no management on the loan account and only senior Santander staff have the management role on every individual loan account. He said if this was the case he asked them to send the £300 back to him, but they didn't refund the £300 to him.

### **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've considered what Mr K has said about the two letters that were sent to him with one being signed and one not being signed. This is because these letters were not the same, so it would appear Santander may have different templates to send on different occasions. I say this because the top of the signed letter says "*Loan Bespoke Communication*" and one says "*Loan: Capital Repayment*". But I'm satisfied that both letters are clear he paid £300.

I've considered what Mr K has said about Santander are trading with his money without his permission when they asked to use his money in a different way, but the letter they sent him on 1 March 2021 does not say this. It says "*if you are happy with what we have done then you do not need to do anything. If you would like us to use the overpayment in a different way then please call us in the next 14 days.*" Santander have confirmed that what they mean here is that they used the £300 to reduce the loan term. But they could have – on Mr K's request, used the overpayment to reduce the monthly repayment. As I've seen no evidence of Mr K calling them to change how they use his overpayment, then it was used to reduce Mr K's loan.

I've considered what Mr K has asked regarding which figure created and brought to evidence the glitch of £870.13 before his overpayment of £300. But Santander have indicated that there was no glitch in the account running balance of his account. They have said there could have been a glitch with how the app displayed the figures to Mr K and this is why they originally partially upheld his complaint as they took his word for this. I'm not persuaded that the £300 on his loan account was only credited after the discovery of the glitch either. I say this as the evidence shows that the £300 was credited to the loan prior to Mr K making a complaint about the figures he saw and Santander replying to the complaint on 26 April 2022.

I've considered what Mr K has said about the branch staff having no management role on his loan. But while the branch staff don't manage his loan themselves as such, I'm satisfied that they made the payment of £300 to his loan and Santander sent him acknowledgement in the post that they received the £300 and it was credited to his account. I know Mr K received this as he has commented on the wording they used on this letter. So I can't say anything untoward has happened here.

I've considered what Mr K has said about £100 can't repair the harm Santander caused him and they must pay him big. But it may help if I explain to Mr K that compensation is a

discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines. Our awards are not designed to punish a business or to make it change the way it acts in order to protect other customers in the future. That is the role of the regulator.

In summary, Mr K's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mr K will be disappointed, but I hope he understands my reasons.

### **Putting things right**

In my provisional decision I said I intend to uphold this complaint in part. I said I intend to ask Santander UK Plc to pay Mr K an extra £100 for distress. I'm still satisfied this is a fair outcome for the reasons given previously.

### **My final decision**

I uphold this complaint in part. Santander UK Plc should pay Mr K an extra £100 for distress

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 April 2023.

Gregory Sloanes  
**Ombudsman**