

The complaint

Mr N has complained that Santander UK Plc acted irresponsibly by providing, and increasing the limit on, an overdraft. He complains that Santander acted unfairly by continuing to apply charges to his account when he was in financial difficulty.

Mr N is represented by a third party but for ease of reference I have referred to Mr N throughout this decision.

What happened

Mr N says that Santander failed to take into account that he was reliant on his overdraft and that it had become hardcore borrowing. He says Santander didn't conduct an appropriate assessment of his account and overdraft facility and because of this he says he has been charged a significant amount of interest and fees.

Santander issued a final response letter dated 21 August 2023. It said Mr N opened an account in October 2016 and no overdraft was provided at that time. In November 2019, a £100 overdraft facility was added to the account. In March 2020, Mr N reduced the overdraft to £50 and then increased it to £500 in April 2020. He then increased the overdraft to £1,000 in February 2021, £1500 in March 2021 and then finally to £2000 in February 2022. It said that at the time of the overdraft application it completed thorough checks to ensure it remained a responsible lender. It said it had no reason to believe the overdraft was unaffordable for Mr N.

Santander said it previously had contact with Mr N in February 2018 prior to him taking out an overdraft and had waived unarranged overdraft fees at that time and also explained how to prevent future fees. It then spoke to Mr N on 27 May 2022 and waived a fee and discussed longer term support and sent him a budget planner to complete. It said it then tried to contact Mr N but was unsuccessful and so it couldn't discuss the support it could offer.

Our investigator upheld this complaint in regard to the limit increase to £2,000 in February 2022.

Santander accepted our investigator's view. Mr N didn't. He said that the evidence showed he had been reliant on the overdraft in 2021 and in financial difficulty. As a result, he increased the overdraft in February 2021 to £1000 and then again six weeks later to £1,500. He said that Santander should have realised at this point that he was struggling and taken action from March 2021.

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.

Santander will be familiar with the factors we consider when looking at whether a bank treated a customer fairly and reasonably when applying charges to an overdraft. So, I don't think it's necessary to set all of this out here.

Having looked through Mr N's statements I do not find I can say that these raised concerns that mean the initial overdraft of £100 and then the increase in April 2020 to £500 shouldn't have been provided.

Mr N's overdraft was then increased to £1,000 in February 2021 and to £1,500 in March 2021. While his statements leading up to these increases did show he was using gambling websites and making use of his overdraft for increasing periods of time, his overdraft usage was still reasonably low and there were still periods when his account was in credit. So, at this time, I do not find I have enough to say that Santander was wrong to provide the overdraft increases.

However, before the increase to £2,000 in February 2022, I think Santander should have carried out a review of Mr N's account. Had it done this it would have seen his increased use of gambling sites and that his account had remained in overdraft for an extended period of time. Given this I think that Santander should have realised that Mr N had hardcore borrowing and was reliant on his overdraft and that any further increases in lending wouldn't be sustainable for him. Because of this I uphold this complaint from the overdraft limit increase in February 2022.

Putting things right

Santander should:

- Re-work Mr N's current overdraft balance so that any additional interest, fees and charges applied as a result of the overdraft limit increases from 23 February 2022 onwards are removed. This means that from 23 February 2022 onwards interest can only be charged on the first £1,500 of any overdrawn balance.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mr N to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr N's credit file, it should backdate this to 23 February 2022.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr N, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mr N's credit file.*

*HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr N a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Santander UK Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 March 2024.

Jane Archer
Ombudsman