

## **The complaint**

Mr S complains that Santander UK Plc unfairly continued to apply interest and charges to his overdraft when he was in financial difficulty.

## **What happened**

Mr S says that Santander provided him with a £2,000 overdraft on his current account in 2012 while he was a student. He says that when he finished studying, he had a large negative balance and wasn't told that he would have to pay his student overdraft back in a certain period of time. He says the interest and charges applied to his outstanding balance have made his situation worse. He says he was able to reduce the overdraft to £1,950 a few years ago but he continued in financial hardship and the interest being applied meant he wasn't able to decrease the outstanding balance further.

Santander said that Mr S would have been sent a letter two months before 28 September 2017 regarding the overdraft cost and that the key facts document and fee information document would have also been sent at that time. It said it didn't complete checks when the account migrated from the graduate account to the Everyday account as it was in the terms and conditions that this would happen. Regarding Mr S's overdraft it considered this to be affordable given the regular credits into his account and said that Mr S hadn't contacted it to explained he was in financial difficulty during the time he held the account.

Our investigator didn't uphold this complaint. They noted that Mr S had been sent a letter prior to his graduate account being converted to the Everyday current account which explained the account wouldn't have an interest free overdraft and provided information about the new account terms. They then considered how Mr S had been using his account and said that he was receiving a salary each month that would have allowed him to clear the overdraft and that there was enough disposable income available to Mr S each month to have reduced the overdraft over a reasonable period of time. They didn't think Mr S's account showed signs of financial difficulty which should have prompted Santander to do anything differently and said it appeared the charges had been applied fairly.

Mr S said that he didn't recall receiving a letter otherwise he would have looked at his finances differently. He said that although he was receiving a wage which meant he went into a positive balance at points, he ended up back in the same position and that while his overdraft had fluctuated over the years, he has needed to borrow elsewhere to pay this off. He said that Santander should have realised he was using his overdraft every month and that this should have flagged financial hardship.

## *My provisional conclusions*

I issued a provisional decision on this complaint the content of which is set out below.

*Mr S complains that he wasn't provided with the information he should have been about the term of his account when it transferred from a graduate account to an Everyday account. Having looked at Mr S's account history I can see that his graduate account was transferred*

*to an Everyday account on 28 September 2017. I have looked at the graduate account terms and these explain the automatic transfer to the current account after a certain period of time.*

*Santander has said that it would have written to Mr S two months before his account transferred to the Everyday current account and that it would have sent him the key facts document and fee information document at that time. The letter that would have been sent sets out that the account doesn't come with an interest free overdraft and provides information about how to calculate the cost of the overdraft. It also provides information about how to switch accounts if the everyday account isn't suitable to Mr S's needs. I find the information provided would have given Mr S the details he needed to make an informed decision about whether he wished to continue with the account.*

*I appreciate that Mr S has said he didn't receive this letter, but I find, on balance, it is more likely than not it was sent. That said, even if this wasn't the case, Mr S would have been aware that his account had changed to the Everyday current account in September 2017 and had he not been happy with this I find he could have taken action at that time. Therefore, I do not uphold this part of his complaint.*

*I have then considered whether Santander acted fairly by continuing to charge interest and charges to Mr S's overdraft when he says he was in financial difficulty. Santander will be familiar with all the rules, regulations and industry codes of practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So, I don't consider it necessary to set all of this out in this decision.*

*As the arranged overdraft was interest free until Mr S's account changed from a graduate account to the Everyday current account, I have considered the interest and charges applied from that date, that is September 2017. Santander is required to monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties. I think it reasonable that a review would have happened around every 12 months and so I have considered what Santander would have identified had it reviewed Mr S's account in September 2018.*

*I have looked at Mr S's account fees charged from September 2017 to September 2018 and can see he was charged for being in his arranged overdraft every month during this period. While I do not find I can say that the charges weren't applied in line with the account terms and conditions, I think it reasonable that Santander would have reviewed Mr S's usage to ensure that he was using his overdraft for its intended purpose, that being emergency – not long-term – borrowing. And whether his account suggested he was struggling financially and unlikely to be able to sustainably repay his overdraft without help.*

*When Mr S's account was transferred to the Everyday current account, he was making use of his overdraft and had a negative balance of over £1,800. I wouldn't have expected Mr S to have removed this overdraft immediately after the transfer, but I would expect him to start to reduce it over time to a position where it was being used for occasional and short-term borrowing rather than hardcore borrowing. However, Mr S's account remained in its overdraft for the majority of the period September 2017 to September 2018.*

*Mr S was receiving a regular income into his account along with occasional additional payments. However, his income wasn't clearing his overdraft and in the months leading up to January 2018, his overdraft at the start and end of each month were similar. Which I think suggests this was hardcore borrowing.*

*At end of January 2018, Mr S received an additional amount into his account and was then in credit until 3 February 2018. Mr S's account did then go into credit for short periods in February, March and April 2018 following receipt of his monthly income but the length of*

*time in credit was reducing and in April 2018 his account was only in credit for two days. Following this his account returned to the overdraft and remained in the overdraft for the following months.*

*Based on Mr S's statements, I think a review in September 2018 would have shown that he wasn't using his overdraft as intended and the account conduct suggested it had become unsustainable. Because of this, I think Santander failed to act fairly and reasonably by continuing to charge interest and charges from September 2018.*

No new evidence was provided in response to my provisional 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.

As I set out in my provisional decision, I think that Mr S was provided with the information he needed to be aware that his graduate account would be transferred to an Everyday account and that the new account wouldn't have an interest free overdraft. However, I find that Santander should have undertaken reviews of Mr S's overdraft usage. Based on reviews happening every year, I think that had a review taken place in September 2018, Santander would have realised that Mr S wasn't using his overdraft for emergency or short term borrowing and that the account conduct suggested it had become unsustainable.

As no new evidence was provided in response to my provisional decision my conclusions haven't changed and I am upholding this complaint regarding the interest and charges applied from September 2018.

### **Putting things right**

Santander UK Plc should:

- Re-work Mr S's current overdraft balance so that all interest, fees and charges applied to it from 28 September 2018 onwards are removed.
- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mr S to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr S's credit file, it should backdate this to 28 September 2018.
- 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 S, 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 S's credit file.

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

### **My final decision**

My final decision is that I uphold this complaint. 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 S to accept or reject my decision before 16 April 2024.

Jane Archer  
**Ombudsman**