

The complaint

Miss A is unhappy with several aspects of the service that she's received from Santander UK Plc.

What happened

Miss A opened a Student Account with Santander in September 2016. One of the features of the Student Account was that it would automatically migrate to a new Graduate Account when the account holder graduated from their education such that they were no longer a student. And when Miss A opened the Student Account in 2016, the terms of the Graduate Account at that time included that it would last for three years and that it benefited from an interest-free overdraft facility.

In July 2020, Miss A graduated from her education and her Santander Student Account was migrated to a Santander Graduate Account. Miss A believed that her Graduate Account would last for three years, but in July 2022 – after only two years – Santander migrated her account from a Graduate Account to a new Santander Everyday Account. And because the Everyday Account didn't include an interest-free overdraft facility, Miss A suddenly and unexpectedly found herself paying interest on her overdraft following the account change.

Miss A wasn't happy that Santander had migrated her account from a Graduate Account a year earlier than they should have, especially as she hadn't received any notice from Santander that her account would be migrated. And Miss A also wasn't happy about the support that Santander provided to her when they later withdrew the overdraft facility on her Everyday Account. So, she raised a complaint.

Santander responded to Miss A but didn't feel they'd done anything wrong in how they'd administered Miss A's account. Santander noted that the terms of the Graduate Account had changed while Miss A had held a Student account, before Miss A's account had migrated to a new Graduate Account, and that these changes included that a Graduate Account would only last for two years. Miss A wasn't satisfied with Santander's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Santander had acted unfairly in how they'd managed the situation surrounding Miss A's account. Miss A remained dissatisfied, so the matter was escalated 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.

In 2016, when Miss A opened her Santander Student Account, the terms of the Graduate Account at that time included that the account would last for three years. However, in July 2020, by the time Miss A's Student Account was migrated to a Graduate Account, the terms of the Graduate Account had changed so that the account would only last for two years.

Miss A seems to have been unaware that the conditions of her new Graduate Account included a two-year term length. And because of this, she appears to have been unprepared for the migration of her Graduate Account to a new Everyday Account when that happened two years after her Graduate Account had been opened.

Miss A has said that the change in the Graduate Account terms (which took place in 2017) shouldn't apply to her, because she opened her Student Account in 2016. But a Student Account is a separate account to a Graduate Account, which in turn is a separate account to an Everyday Account.

As such, it isn't the case that Miss A has held one account with Santander since 2016. Rather, Miss A held a Student Account until 2020, at which time her account was migrated to a new Graduate Account. And Miss A then held that Graduate Account until 2022, at which time her account was migrated to a new Everyday Account. Although it may have been the case that Miss A's sort-code and account number were carried over by Santander to her new accounts.

This means that when Miss A's Student Account was migrated to a new Graduate Account in July 2020, that newly opened Graduate Account was (and fairly should have been) subject to the updated Graduate Account terms, which included that the account would only last for two years.

Miss A has said that she never received any advance notice when she held a Student Account that the terms of Santander's Graduate Account would be changing. But Santander would only send such advance notice of a change to the Graduate Account terms to Graduate Account holders. And at the time that Santander sent such notice, Miss A was not a Graduate Account holder but was still a Student Account holder.

Santander have explained that when they migrated Miss A's account to a new Graduate Account in July 2020, they sent the terms and conditions and a key features document for the Graduate Account to Miss A, both of which highlighted the fact that the Graduate Account would only last for two years.

Miss A has said that she never received this correspondence from Santander. But I feel that it's unlikely that Santander wouldn't have sent this information to Miss A upon the migration of her account, given that it would have been an automated process.

However, if it were the case that the Miss A didn't receive information about the Graduation Account from Santander, I would reasonably have expected her to have chased Santander for that information, given that account terms can and do change. And I don't feel that it was reasonable for Miss A to have relied on her memory of the Graduation Account terms from four years prior, when she opened the Student Account in 2016. I also note that information about the Graduate Account, including the two-year term, is easily locatable online.

All of which means that I don't feel that Santander have acted unfairly by migrating Miss A's Graduate Account to a new Everyday Account in 2022 as they did. And while I accept it was unfortunate that Miss A wasn't aware of the two-year term of the Graduate Account, I don't feel that Santander should fairly or reasonably be held accountable for Miss A not knowing this information. Rather, I feel that Miss A herself could and reasonably should have confirmed the terms of the new Graduate Account when it was opened for her in 2020.

Miss A's account was migrated to a new Everyday Account in 2022. One consequence of this was that Miss A no longer had access to an interest free overdraft facility, because the Everyday Account didn't offer such a facility. And this meant that Santander began charging interest on Miss A's overdrawn balance.

This doesn't seem unreasonable to me, because I don't feel that Santander acted unfairly by migrating Miss A's account to a new Everyday Account in 2022, as explained above. And because of this, I don't feel that Santander acted unfairly by applying the terms of the Everyday Account – including the charging of interest on Miss A's overdrawn balance and the charging of account fees in line with the account terms and conditions.

Unfortunately, when Miss A's account was migrated to a new Everyday Account, Miss A couldn't clear or significantly reduce her overdrawn balance. And over the following months the position of Miss A's account became of concern to Santander, with the account balance increasing so that it exceeded the account's authorised overdraft limit and went into unauthorised overdraft.

In May 2023, Santander passed the administration of Miss A's account to their Financial Support Team. And when the position of Miss A's account didn't subsequently improve to Santander's satisfaction, they removed the overdraft facility from the account in September 2023 and demanded immediate repayment of the overdrawn balance from Miss A.

In November 2023, Miss A spoke with Santander and agreed a 'paydown' arrangement with them. Miss A has said that she believed that this was a formal arrangement which would mean that Santander wouldn't move to default her account while it was in place, and that Santander would contact her after the arrangement had been in place for some time to review it. And Miss A was then upset when she received a default notice from Santander the following month, in December 2023, which ultimately led to her account being defaulted.

However, I've listened to a recording of the telephone call between Miss A and Santander that took place in November 2023. On that call, Miss A provides details of her income and expenditure to Santander. This included that Miss A's monthly outgoings, including debt payments, was £990.62 more than her monthly income. Miss A explained that she was covering this monthly deficit by borrowing from her family.

Santander's agent then discussed the available financial support options with Miss A, including the 'paydown' option. And Santander's agent clearly explains that a downside of a paydown agreement is that the account continues to proceed towards a potential default while the account arrears remain in place, although Miss A wouldn't be formally chased for those arrears (until default proceedings were commenced by Santander).

Additionally, when the paydown arrangement was agreed, Santander sent a letter to Miss A confirming that arrangement. And that letter explained that if Miss A's account continued to remain overdrawn, that Santander could make the decision to issue a default notice on the account – which Santander later did.

Accordingly, I don't accept Miss A's argument that she wasn't told that her account could still be defaulted by Santander when she entered into the payment arrangement with them.

In summary, I sympathise with Miss A on a personal level regarding the difficult financial position that she found herself in. But I feel that the primary reason that Miss A wasn't prepared for the migration of her Graduate Account to a new Everyday Account in 2022 was because she held an incorrect assumption about the term-length of the Graduate Account.

I feel that Miss A could and reasonably should have checked and confirmed the term-length of the Graduate Account – if she hadn't received the information sent to her by Santander regarding it. And I don't feel that Santander should fairly be considered responsible or accountable for Miss A holding the incorrect term-length assumption that she did.

I also feel that because Miss A wasn't prepared for the loss of the interest-free overdraft

facility which the Graduate Account benefited from, she wasn't able to maintain the position of her Everyday Account and fell into an unauthorised overdraft, which eventually led to the account being defaulted by Santander. And while I feel this was unfortunate for Miss A, I don't feel that Santander acted unfairly.

I realise this won't be the outcome Miss A was wanting, but it follows from all the above that I won't be upholding this complaint or instructing Santander to take any form of action here. I hope that Miss A will understand, given what I've explained, why I've made the final decision that I have.

Finally, I note that Miss A has raised a further point of complaint about the interest that Santander were charging on her account. However, this service can only consider points of complaint that have previously been referred to the respondent business and which that business has had the opportunity to formally consider and respond to.

In this instance, Santander haven't yet had the opportunity to formally consider and respond to Miss A's further point of complaint. As such, I can only refer Miss A to Santander to raise that point of complaint with them in the first instance, should she wish to do so. And I can confirm that after Santander have had the opportunity to formally consider and respond to that further point of complaint, it may be the case that Miss A has the right to refer that point of complaint to this service, if she remains dissatisfied.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 2 October 2024.

Paul Cooper
Ombudsman