

The complaint

Mr S complains that Santander UK Plc failed to assist him or intervene regarding his overdraft usage, and the overdraft was unaffordable for him.

What happened

Mr S has had an overdraft with Santander for a number of years. He's amended this overdraft limit multiple times over the last six years, with the arranged overdraft ranging from £0 to £550 during the six year period. Mr S says that at no time did Santander reach out to him to see if he was in any financial difficulty, or to automatically lower his overdraft.

Mr S says he was trapped in a cycle of overdraft debt, and he took out numerous payday loans in order to keep a roof over his head. He said it was only in 2024 he reached out to Santander, but he was still trapped. He said the interest was very high. Mr S made a complaint to Santander.

Santander did not uphold Mr S' complaint. They said reasonable and proportionate affordability checks were completed prior to the overdraft being offered. They said based on the information he provided, and the checks carried out, there was no reason to believe the overdraft and monthly repayments would be unaffordable or cause existing debt to become unsustainable. Santander said their Financial Support Team would contact Mr S to go through an income and expenditure review to reduce the overdraft to zero due to his current financial difficulties. Mr S brought his complaint to our service.

Our investigator did not uphold Mr S' complaint. She said as part of the overdraft applications, Santander completed a credit check which showed that Mr S didn't have any defaults, public records or accounts in arrears. He had active unsecured debt ranging between £100 to £8,600 during the course of the applications, which she didn't think was excessive. She said Santander made a fair lending decision.

Mr S asked for an ombudsman to review his complaint. He said he was constantly taking out payday loans every single month to try and survive. He said he increased the overdraft a significant number of times.

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.

Before agreeing to approve or increase the credit available to Mr S, Santander needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Santander have done and whether I'm persuaded these checks were proportionate.

Santander conducted monthly checks with a Credit Reference Agency (CRA) to get live bureau data about Mr S' circumstances. This information included, but was not limited to, bankruptcy's, County Court Judgements (CCJ's), total unsecured debt, accounts in arrears, balances written off, and accounts in collections. They were also able to view Mr S' bank account activity as he banked with them.

Santander's checks for the six year period showed Mr S had no adverse information reported to the CRA over the six year period Mr S is complaining about. His unsecured balances reported by the CRA showed Mr S had balances ranging between £100 and £3,600 between April 2018 and January 2024. So this doesn't show Mr S was heavily indebted, or he was relying on credit to meet his outgoings.

There was an increase of Mr S' unsecured balances showing on the checks in February 2024 to £8,600, when Santander increased his overdraft limit for the last time to £500. But based on the income that had been crediting his account regularly, I'm not persuaded that this should have meant Santander needed to carry out further checks, based on the information they had from the CRA, and how Mr S had been managing his account up to that point.

Mr S' statements were showing regular income crediting his account which appeared to be from a salary. This was usually over £1,200, but in more recent times it usually ranged between £1,700 and £2,000 a month. I can see a payment which appears to be a loan credited Mr S' account for £1,650 in January 2024. This appears to be a personal loan from a credit union, and not a payday loan.

I can't see payday loans crediting Mr S' Santander account on a monthly basis. So I can't say that Santander should have been aware of any payday loans or financial difficulties Mr S had prior to him contacting them in March 2024, as the CRA information did not indicate Mr S was struggling to repay his debt, or he was in a cycle of using debt to pay debt. In the month that this loan credited Mr S' account, the CRA had reported his unsecured borrowings had decreased by £100 from the previous month, which I would expect these to increase if Mr S was in financial difficulty at this point.

Although Mr S has said Santander didn't reduce his overdraft limit automatically, I'm not persuaded they should have stepped in to do this. I say this because Mr S frequently amended his overdraft limit. Whilst there were multiple times he increased his overdraft limit, there were also multiple times he reduced his overdraft limit, and there were times where he had no overdraft at all.

Overdrafts are intended to be used for short term borrowing, so I'm not persuaded it would be unusual for Santander to see a customer constantly amend the overdraft limit to suit their circumstances at the time. And as Santander completed checks every month regardless of Mr S' overdraft position, they were aware of Mr S' financial position.

There were spells where Mr S had long periods of time where he wasn't overdrawn (for example 31 March 2020 to 24 January 2021). And he wasn't constantly overdrawn and using his maximum overdraft all of the time. So I'm persuaded that Santander's checks were proportionate for the multiple overdraft changes during the six year period, and their lending decisions were fair.

Mr S does seem to have financial difficulties shortly after the February 2024 overdraft increase. Mr S contacted Santander the following month. And Santander have said they would contact Mr S to try and make an arrangement to repay the overdraft. I'm satisfied that this is fair, as it will give Mr S the opportunity to explain his financial situation with Santander

in more detail, so the forbearance they can show him will be personalised to his financial position.

Santander charged interest on the overdraft in line with the terms of the account. So I can't say they were unfair to Mr S here. But due to Mr S' current financial difficulty, they have suggested they may be able to set up a Monthly Reducing Overdraft arrangement with all fees, charges and interest suspended for up to 36 months.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Santander lent irresponsibly to Mr S or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Santander to do anything further.

My final decision

I do not uphold 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 September 2024.

Gregory Sloanes
Ombudsman