

The complaint

Mr B complains that Santander UK Plc applied fees and charges to his account having arbitrarily changed his account to a fee paying one.

What happened

Mr B said he has complained to Santander many times about unfair charges, in particular for an overdraft facility since Santander changed his free bank account to a fee-paying account in 2014. He said Santander had always told him his account was 'migrated' and includes a maintenance charge, but £120 per year isn't fair for a £300 overdraft facility.

In March 2024 Mr B told Santander it was unfair to charge him £10 per month and said he doesn't know why his account was changed as he hadn't asked Santander to do this. Mr B said Santander's response still doesn't explain why it arbitrarily changed his bank account.

Santander responded to Mr B's complaint in March 2024 to say he changed to a 'Choice Account' in October 2014, and this carries a monthly fee of £10, with charges capped at £20 per month. It said this information was set out on Mr B's monthly statements. Santander said accounts are self-managed and the customer is responsible for choosing the account that best suits their needs. It said Mr B had not paid the £10 fee since February 2023.

Mr B disagreed that the charges were reasonable and asked why Santander removed his free account. Santander wrote again saying Mr B's 'Everyday Account' was changed to a Choice Account in 2014. It said it stopped charging a fee on these accounts in March 2023 when the maximum overdraft fee was increased to £30 per month. Santander said Mr B's Everyday Account had charged an overdraft fee of £1 per day for each day of use.

Santander provided a copy of a letter to Mr B from February 2014. This addressed Mr B's financial difficulties at the time and his request for a refund of account charges. Santander refunded charges of £45 and fees of £25. Santander said that if Mr B regularly incurred unarranged overdraft fees he might wish to review the features of the Choice Account. Santander said the account was changed six months later to a Choice Account.

Mr B wasn't satisfied with Santander's response and referred his complaint to our service. The investigator didn't recommend that the complaint be upheld. He said Mr B contacted Santander regarding the charges on his account in 2014 and was informed of the Choice Account as an option. This had a £10 monthly fee, but no unarranged overdraft or missed payment fees and the planned overdraft charges were capped at £20 per month as shown on the annual statement of fees, and monthly account statements.

The investigator said there's no evidence from 2014 to show why the account was changed, but he thought the account was a reasonable suggestion at the time. He said Santander had told us it wouldn't change accounts without authorisation. He thought it likely Mr B opted to change as this was beneficial at the time and had forgotten doing so in the 10 years since. In the absence of any errors, he couldn't say that Santander should have done more.

Mr B disagreed with the investigator and requested an ombudsman review his complaint. He said Santander has a history of unethical and illegal practices including switching customers' accounts without their permission. He said the onus is on Santander to show why his account was changed. Mr B assumed that Santander had stopped its monthly £10 fee on Choice Accounts because of customer complaints about their banking practices.

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.

Mr B wanted Santander to stop applying charges to his account and refund those already added. And he wants Santander to explain why it changed his account. Santander said it only changes accounts on customer instructions and acted in accordance with the terms and conditions of Mr B's account.

The product history from Santander's records shows the Choice Account opened for Mr B in October 2014 was in replacement of his Everyday Account. That in turn had only existed for one year in replacement of other closed current accounts from 2007.

Santander's records don't show the reason for the account switch and banks are not required to maintain all records from 10 years ago. Mr B said he would not have requested a change from a free bank account to a fee-paying bank account and it cost him £120 per annum from 2014 to 2023, which he says is excessive.

I have looked at what is most likely to have happened, with Mr B's comments in mind and Santander's comment that it would not change accounts without authorisation.

Santander wrote to Mr B in 2014 about his financial difficulties when he held an Everyday Account that carried no compulsory charges. It's clear Mr B was incurring charges and fees for being overdrawn and Santander refunded some of these to him. The Everyday Account terms and conditions allowed these to be applied for unarranged overdrafts and missed payments.

Santander's 2014 letter suggested Mr B consider a Choice Account rather than requiring him to switch. The Choice Account capped arranged overdraft charges at 10 days a month, so maximum arranged overdraft charges were £20 a month. There were no charges if an account entered into an unarranged overdraft, or had items returned or paid when there were insufficient funds in the account. I'm not sure why Mr B says he wouldn't have chosen that option when the new account offered him a capping of the fees that he had previously requested to be refunded.

The amount of the fees and charges associated with the Choice Account is Santander's commercial decision. I can say that it appears to me Santander has complied with the terms and conditions of the Choice Account in their application.

From the start Mr B received monthly account statements and subsequently annual statements of the fees, so he could see what he was being charged. Santander also provided an overdraft cost calculator so customers can check how changes will affect their monthly overdraft cost. It appears that Mr B was made aware of the charges and could have contacted Santander to change his account at any time.

Having looked at the advantages and disadvantages of the Choice Account to Mr B, I agree with the investigator that it's reasonable to say that Mr B thought the account would benefit him and authorised the switch.

Mr B has said that Santander has now ceased charging customers £120 annually which he assumes is because of customer complaints. I'm not aware of other complaints about the charges. Santander hasn't removed all charges but changed its approach by loading charging onto the use of the overdraft instead of a flat account fee. If Mr B finds that this causes an increase in the charges he incurs for the Choice Account it is open to him to change the account.

Overall, I think that Santander treated Mr B fairly in its handling and charging for his bank account. I'm satisfied they made him aware of the costs involved with having a Choice Account and operated the account in line with its terms and conditions.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 February 2025.

Andrew Fraser
Ombudsman