

The complaint

Mr R complains that Santander UK Plc (“Santander”) acted irresponsibly when it granted him a current account overdraft and that the checks it conducted during the application process were inadequate.

Mr R is represented in his complaint but for ease I will refer to Mr R in this decision when talking about him or his representative

What happened

Mr R has held an account with Santander since 2010 and in March 2022 was provided with an overdraft of £1,000 which subsequently increased to £1,050 the same week but never increased further.

In April 2024 Mr R complained to Santander that it had been irresponsible granting him the overdraft in 2022 as he was experiencing financial difficulty and the overdraft was unaffordable for him.

On 23 May 2024 Santander issued Mr R with a final response letter (“FRL”). Under cover of this FRL, Santander explained the checks it completed when Mr R first applied for his overdraft, didn’t uphold the complaint and said it was satisfied it had acted responsibly.

Unhappy with Santander’s FRL, Mr R brought his complaint to us in August 2024.

Mr R’s complaint was considered by one of our investigators who concluded Santander had acted unfairly when it provided Mr R with the overdraft limit.

Santander didn’t accept the investigator’s view, so the complaint has been passed to me for review and 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.

Having done so, I can confirm that I’ve reached the same conclusion as the investigator and for broadly the same reasons.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Santander's decision to initially grant Mr R on overdraft limit of £1,050 in March 2022.

Before authorising the overdraft limit of £1,050 in March 2022, Santander was required to complete proportionate affordability checks to ensure the credit was affordable and sustainable. What is considered proportionate will vary depending on the specific circumstances of each case, as there isn't a set list of checks that had to be completed.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Santander told us the information it obtained whilst assessing Mr R's affordability for the overdraft, indicated he would be able to make the monthly repayments due for this overdraft. However, Santander have subsequently told us that as Mr R was already an existing account holder with it when he made the application in March 2022, it wouldn't have asked Mr R for details of his income. I find this unusual given that income and expenditure should play an intricate part in making an affordability assessment.

I note that Mr R has had his account with Santander since 2010 but didn't apply for an overdraft until March 2022.

Santander told us that from the information from credit reference agencies, he passed all its affordability checks. However they haven't been able to provide us with information it obtained from the credit checks it conducted, and as highlighted above, it didn't ask him about his income.

As I don't know what those checks would have likely revealed, I've gone on to consider Mr R's credit file he's provided to us along with his current account statements.

Looking at Mr R's credit file, at the time of the application, he had four active accounts with only £3 being paid towards an O2 account. He had two active credit card accounts but both of these had a zero balance, there were no defaults or CCJ's on his file and no missed repayments in the lead up to his application. So I think this is consistent with what Santander said about what they found.

But I think Mr R's bank statements tell a different story. As our investigator pointed out, Mr R had maintained a healthy balance up to November 2021 but then after becoming unemployed, he started to receive DWP payments of around £848 a month and his account by the time of the application held a low balance. Given that up to this time Mr R had managed his finances without an overdraft, I think the fact that he had now applied for one and it was initially £1,000 (which was more than his DWP payments), together with the fact that his account credit had reduced significantly, should have prompted Santander to look closer at his financial situation. And I think had it done so, it would have realised that given Mr R's financial situation, the overdraft wasn't affordable. And I think the fact that Mr R went up to and at times over the agreed limit in a very short space of time, corroborates this fact.

Santander told us that in April, May and June 2022, Mr R deposited a number of lump sums totalling £17,000. But this was after the overdraft was granted and from three loans taken out which all subsequently defaulted. I think this was another indication that Mr R was struggling financially.

Did Santander act unfairly in any other way

I've also considered whether Santander have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Santander and Mr R, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed below results in fair compensation for Mr R in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Santander should:

- Re-work Mr R's overdraft account to remove any interest, fees and charges applied from March 2022.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Santander should contact Mr R to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr R's credit file, it should backdate this to March 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 R, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mr R's credit file.*

*HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr R 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 R to accept or reject my decision before 12 May 2025.

Paul Hamber
Ombudsman