

The complaint

Miss F complains about Santander UK Plc not telling her about the high interest rate on her overdraft facility. Also, not supporting her when she had financial difficulties and taking punitive action, removing the overdraft, when she complained to them.

What happened

Miss F opened her Santander current account in 2016. Santander gave her access to credit through an overdraft facility which initially was for £500 and then increased it:

1. To £650 in April 2018
2. To £1,000 in May 2018
3. To £2,000 in November 2018
4. To £2,250 in February 2023
5. To £2,500 from May 2023

On 29 October 2024, Miss F called Santander to complain about the affordability of the overdraft facility. Miss F said she:

- Wasn't aware of the high interest rate
- Was struggling with the overdraft charges
- Wasn't offered any support when her direct debits were returned

In their complaint response letter, dated 20 November 2024, Santander said:

- They couldn't see that she had previously contacted them about financial difficulties
- Some of her transactions questioned the necessity of the overdraft facility
- They could only see '*minimal returned Direct Debits. 1 in 2018, 1 in 2022 and then 3 in 2023 and the same in 2024*'.
- Her monthly account statement shows the interest rate that is being charged
- They had completed a full credit check and assessed her financial situation and there wasn't a reason to believe the overdraft and monthly repayments wouldn't be affordable.
- They communicated other borrowing options
- As the overdraft charges were unaffordable, they could no longer continue to offer her the facility
- Their financial support team would contact her shortly to go through an income and expenditure review to reduce the overdraft to zero. They explained the following:
 - '*This will be in the form of a Monthly Reducing Overdraft arrangement with all fees, charges and interest suspended for up to 36 months. This will show as an arrangement on your credit file.*
 - '*If after 60 days our Financial Support team have not been able to contact you, the overdraft will be removed in full. If this happens and there is an outstanding balance, the account will go into arrears, at which point a formal arrangement will need to be put in place and this will impact their credit file. If you are not able to keep to the arrangement the full overdraft amount will*

become due, and the account could potentially default affecting your credit file for 6 years.'

As Miss F had requested a breathing space they also said interest would be frozen on the authorised overdraft until 30 November 2024.

Miss F was dissatisfied with the response from Santander. She feels the removal of her overdraft is punitive, especially as they offered her *'an account with lower interest (max of £30 per month) for the overdraft which I accepted but as soon as I complained they retracted this offer and decided to remove it completely.'*

Also, Miss F doesn't feel able to have any repayment arrangement on her credit file as she believes this will have a detrimental impact on her job prospects.

Miss F told Santander she didn't want any further contact from their support team and referred her complaint to our service.

The outcome she is seeking is:

- For the overdraft to be paid off without affecting her credit file
- For any interest that has been unfairly applied to be refunded

As Miss F has referred her complaint to our service, it appears Santander haven't yet fully removed the overdraft facility.

Our investigator considered her complaint but didn't think Santander had acted incorrectly or unfairly.

As Miss F remains dissatisfied, her complaint has been referred to me to look at.

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, my decision is not to uphold this complaint, and I'll explain why.

I've carefully considered all the points both parties have made, and I'll focus on what I think are the important points to reach a final decision.

I first considered whether Santander had made Miss F aware of the high interest rate that applies to the use of an overdraft facility on her '123 account'.

Having reviewed the terms and conditions that Miss F would've received when she opened the account, I'm satisfied that she should've been aware of the high 39.94% that she was paying. This is because Santander:

- A. Direct account holders to documents which illustrate both overdraft interest and fees. And these are all easily available.
- B. State *'we'll tell you about this in your monthly statement'* and Santander have confirmed Miss F is able to view statements and they say:
 - *'It's important to review your account to make sure that it continues to meet your needs. If you are using an overdraft regularly consider if an overdraft is the most suitable option for you. To find out more about other borrowing options or other products please contact us.'*
- C. Are transparent about the high interest rate and they tell their account holders they:
 - Should only use an overdraft to borrow money for a short period.
 - An overdraft isn't suitable for long-term borrowing.

I noted Santander's complaint response said the following:

- *'We complete thorough checks to ensure that we remained a responsible lender. This includes completing a full credit check which accesses a customer's financial situation, as well as considering affordability using income and expenditure provided at the time of the application.'*
- *'Having reviewed your application, I can confirm that reasonable and proportionate affordability checks were completed prior to the overdraft being offered. This included reviewing credits into the account and information held on your credit file. Based on this information, 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.'*

So, I looked closely at the file and requested further information from Santander to look at the information and checks they completed to consider whether they should've:

- A. Approved the six overdraft limits
- B. Noticed and acted upon any signs (as required in the Financial Conduct Authority (FCA) Consumer Credit Sourcebook (CONC) - CONC 6.7.2R) that Miss F had:
 - Escalating debt due to additional interest or charges
 - Potential financial difficulties

Santander weren't able to provide Miss F's credit file or all historic account information. They did though provide analysis of the information they obtained from credit reports. This included unsecured debt and indebtedness analysis. Also, they had information on Miss F's current account since 2019 and how she used her overdraft.

Considering the information on file, I think the data Santander gathered was proportionate when giving credit to an existing customer.

CONC 6.7.2R says lenders must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties. It doesn't prescribe a specific timeframe when reviews should be carried out. However, most lenders terms and conditions state an overdraft facility will be reviewed over a twelve month period, and I think this is a reasonable approach and good industry practice especially where customers move their money around.

From looking at Miss F's current account information and use of the overdraft since 2019, I found it difficult to identify a point where Santander should've intervened during a twelve month period.

In each year there were periods where Miss F's debit balance rapidly increased after her pay day necessitating use of her overdraft. However, there were also periods where her account was in credit and sometimes by very large amounts.

In 2023, when three direct debit were returned, there were again some periods where the account was in credit and the overdraft wasn't being utilised.

In 2024, I couldn't see any credits and Miss F was consistently using the overdraft up to the full amount of her overdraft. As there were also some direct debit returns, I would've expected an intervention if this pattern continued for the whole year. However, Miss F complained before the end of the full year and considering this, previous account activity and their above mentioned messaging (advising contact), I don't think it was unreasonable for Santander not to have intervened at an earlier stage.

I appreciate Miss F being frustrated at having the overdraft removed and not wanting to have a payment plan showing on her credit file, but I think Santander's action and support (detailed in the 'What happened' section) was both fair and reasonable.

Santander needed to take reasonable steps to ensure it wasn't lending irresponsibly. They had a responsibility to ensure that the overdraft wouldn't cause Miss F undue difficulty or significant adverse consequences, and I think the support described in the 'What happened' section was fair and reasonable.

Also, they are required, by their regulator (the FCA), to act as a responsible lender and must avoid causing foreseeable harm, hence their terms of conditions say:

- *'We can change your arranged overdraft limit at any time. You must also repay any overdraft we give you 'on demand'. This means we can ask you to pay back some or all of the money you borrow at any time. We'll usually give you 30 days' notice of any of these things but we may not give you any notice if it would be reasonable for us not to.'*

So, I'm satisfied that the action Santander took to remove the limit and not offer overdrafts on other accounts was because they were acting responsibly, and Miss F had made them aware that she had financial difficulties. Also, they gave her notice, and I haven't seen any evidence to suggest their action was punitive.

Having considered the above and all the information on file, I'm not upholding this complaint against Santander UK Plc.

My final decision

My final decision is that I'm not upholding this complaint against Santander UK Plc

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 14 July 2025.

Paul Douglas
Ombudsman