

The complaint

Miss R complains that Santander UK Plc has reduced the interest rate on her savings account.

What happened

In September 2023 Miss R opened an Easy Access Saver Limited Edition (Issue 3) with an interest rate of 5.20%. Later that month she deposited money into the account which earned interest at this rate for several months. In March 2024 Santander told Miss R that the rate on her account would be reducing to 4.20% as of 20 May 2024.

Miss R wasn't happy with this. She couldn't understand why Santander was reducing the rate on the account, as the Bank of England's base rate hadn't changed. To add to her frustration, she also wasn't happy with how Santander dealt with her enquiries and complaint as it didn't provide written answers or explanations as she was promised.

Santander didn't think it had acted incorrectly or unfairly in reducing the rate on the account. It explained that the account has a variable rate and it reduced the rate here in anticipation of a reduction in the base rate later in the year. It did however acknowledge that its service fell short for Miss R and paid £50 to compensate her for the impact this had.

Miss R wasn't happy with this and brought her complaint to our service, where one of our investigators looked into it. They didn't feel that Santander had acted unfairly in reducing the interest rate – as the terms and conditions of the account were clear that it could do this. The investigator also found that what Santander had told Miss R about its decision to do this was clear too. While the investigator agreed that Santander could have provided better service to Miss R, they thought the £50 was fair for this.

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.

The starting point here is the information that Miss R was provided when she opened her account as this information outlined how the account would operate. Having considered this information, I think it's clear that the rate on this account can vary. On the Key Facts Document under the question 'Can Santander change the interest rate?' it says:

'Yes, we can change the rate on this account as explained in the general terms.'

That's further explained in the document 'Our rights under our agreement with you' that Miss R would have been provided when she opened the account which says:

We can change the interest rate (unless it's fixed), fees or other terms at any time by giving you notice. The reasons when we can do this are set out in the general terms and conditions.

The General Terms and Conditions document referred to above then say:

This agreement may last for a long time, so we're likely to need to make changes to it from time to time. We might change these terms or your account's specific conditions. This includes the interest rates or fees (such as adding or removing fees) as well as other terms. We have listed below the reasons why we might make changes.

A number of examples are then given, including:

To take account of a change (or a change we reasonably expect) in the interest rates we receive or we have to pay. For example, this could be due to a change in the Bank of England base rate.

The effect of this information is that I think Miss R could reasonably have been aware that the rate on her account could vary for a number of reasons. Just as this means the rate could increase, it also means that the rate could decrease – as happened here. But I think the terms and conditions were clear that Santander was entitled to take this action. I don't think they give the impression that the account would, for example 'track' or follow any other rate including the base rate. The base rate is just one example given of when Santander *might* change the rate.

I realise that Miss R was shocked and surprised when Santander took this action on her account as there had been no changes to the Bank of England base rate. This happened only a few months after she had gone to the trouble of moving her savings from another provider into this account with Santander. But the terms are clear that Santander has the discretion to vary the interest rate for a variety of reasons and it made this clear to Miss R when she opened the account. So while I realise that it will have been inconvenient that Miss R had to move her savings again to earn a rate she was happy with – I don't think it'd be fair to say that Santander can be held responsible for that decision.

What I've gone on to consider is whether Santander acted fairly and reasonably in how it went about this change. The terms explain that if Santander is going to make a change to the interest, then it will give her notice before doing so. I've seen that on 21 March 2024, it sent Miss R notification that the interest rate would reduce as of 20 May 2024. That's in line with the terms for Miss R's account and also the relevant regulatory guidance which says that a firm should provide reasonable notice to a customer when it proposes to exercise a material change to any rate of interest¹. By providing several months' notice of the change here, I consider that Santander acted fairly and reasonably in this respect too.

Santander has acknowledged that its service fell short of Miss R's expectations when she initially started querying why it had reduced the interest rate though. Having seen how it dealt with this – I agree that it could have provided clearer answers to her much sooner than it did. For this it has paid Miss R £50 and I think that's fair and reasonable to recognise the distress and inconvenience this would have caused.

Overall here, I'm satisfied that Santander was entitled to change the rate on Miss R's account and that it acted fairly and reasonably in how it took this action and gave notice of this. Santander has paid Miss R £50 for the impact of its poor service and I think that's a fair amount. It follows that I won't be telling Santander that it need do any more here.

My final decision

I do not uphold this complaint.

¹ BCOBS Banking: Conduct of Business sourcebook – BCOBS 4.1.2G(4), <https://handbook.fca.org.uk/handbook/bcobs4>

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 24 October 2025.

James Staples
Ombudsman