

Complaint

Mr F has complained that Santander UK Plc (“Santander”) unfairly continued applying charges to his overdraft and his credit card. He says that this interest was added even when it was clear that he was in financial difficulty and failing to see a credit balance on his current account for an extended period of time.

Background

Mr F had an overdraft with an overdraft limit of £2,000.00 between July 2019 and August 2024. In July 2024, shortly after receiving a letter informing him that his overdraft limit was being reduced to £250, Mr F complained to Santander. Mr F was unhappy that he’d been allowed to continue using his overdraft despite being, what he’s described as, in hardcore overdraft debt. He was also unhappy that he’d been interest on his credit card between April 2023 and December 2023.

When it investigated Mr F’s complaint and issued its final response in August 2024, Santander didn’t think that it had done anything wrong or acted unfairly towards Mr F. So it didn’t uphold the complaint. Mr F remained dissatisfied and referred his complaint to our service.

One of our investigators looked at this complaint and she thought that Santander ought to have realised that Mr F was experiencing difficulty with his overdraft in January 2022 and therefore shouldn’t have added the charges it did from this point onwards. She didn’t think that it had done anything wrong in relation to Mr F’s credit card.

Neither Santander nor Mr F accepted the investigator’s assessment. Santander was of the view that it should refund the interest applied to Mr F’s overdraft from January 2023. Whereas, Mr F said he had been in difficulty from as far back as July 2021. He was also unhappy that no action was being taken in relation to his credit card.

As the parties were unable to reach agreement, Mr F’s complaint was passed to an ombudsman for review.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided to partially uphold Mr F’s complaint. I’ll explain why in a little more detail.

I’ve started by considering whether Santander acted fairly and reasonably towards Mr F in respect of his overdraft.

Mr F’s overdraft

Santander will be familiar with all the rules, regulations and industry codes of practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don't consider it necessary to set all of this out in this decision.

Why I think that Santander ought to have realised that Mr F may have been in difficulty by January 2022

Having carefully considered everything provided, I'm satisfied that Santander acted unfairly when it continued charging overdraft interest and associated fees from January 2022 onwards. While Mr F might not have got in touch to confirm this, nonetheless by this point, it was evident Mr F's overdraft had become demonstrably unsustainable for him.

Mr F's statements leading up to this period show that he'd been hardcore borrowing for an extended period. In other words, he was using his overdraft over an extended period and in a way which suggested that he would struggle to return to credit from his income or any savings.

I say this particularly as there doesn't appear to be a steady income going into the account and Mr F was spending a greater period of time overdrawn and towards the upper amount of his limit. In these circumstances, given the reduced periods that Mr F was seeing a credit balance, I don't think that it was reasonable for Santander to have believed that Mr F would be able to clear what he owed within a reasonable period of time.

As Santander didn't react to Mr F's account usage and have regard to his account activity, when renewing his overdraft in January 2022, I'm satisfied that it failed to act fairly and reasonably towards him.

Mr F ended up paying interest, fees and charges at a time when his overdraft was already unsustainable. So I'm satisfied that Mr F lost out because of what Santander did wrong and it should now put things right.

Why I don't think that Santander needs to refund the charges it added prior to January 2022

In reaching my conclusions, I've also considered Mr F's argument that he'd been using his overdraft heavily from July 2021 and that his complaint should be upheld from then, rather than from January 2022.

I accept that Mr F's account did begin becoming more overdrawn from July 2021 onwards. However, I'm mindful that in the early part of 2021, Mr F's account was receiving credits which significantly exceeded the overdraft and suggested that facility could be repaid within a reasonable period of time. So, in my view, the period Mr F has referred to, is when a pattern of Mr F starting to use his overdraft was beginning. However, I don't think it's fair to say that a pattern had become established by this stage.

Of course, if Mr F had got in contact to say that he was experiencing difficulty and asked for help, then I would have expected Santander to have taken immediate action. I've noted that Mr F was going through a difficult personal situation. I'm sorry to hear about what he's told us and I'm glad to hear that he's doing much better now. However, having looked at the contact notes for Mr F's account, I can't see that he got in contact with Santander and asked for help at this stage.

In these circumstances, it would have had to have been objectively clear to the Santander, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result. In my view, the beginning of a pattern of

Mr F using his overdraft more heavily from this point onwards, was not enough such that I would have expected Santander to have unilaterally taken corrective action.

Indeed, it is difficult to see how Santander would have been justified in taking corrective action on Mr F's overdraft (i.e. going straight to a final resort) and it is likely that I would have reached the conclusion that it had acted unfairly had it immediately taken unilateral action in July 2021. I don't think that Santander sending Mr F a final demand as soon as he was using his overdraft more – and wasn't exceeding his agreed limit – was proportionate bearing in mind what the next steps would have been had Mr F not cleared the overdraft. I don't think that such action would have been proportionate at that stage.

So I've not been persuaded that Santander acted unfairly in relation to Mr F's overdraft prior to January 2022. I'll now proceed to consider whether Santander acted fairly and reasonably towards Mr F in relation to his credit card.

Mr F's credit card

Mr F is unhappy that he was charged interest on his credit card. However, from what I can see, any interest charged was applied in accordance with the terms and conditions of his account. That said, there can sometimes be circumstances where it wouldn't be appropriate to apply such charges notwithstanding the fact that a lender may be entitled to do so. For example, where a customer wasn't making their payments, or there was no reasonable prospect of the amount that was owed being cleared within a reasonable period of time.

However, I don't think those circumstances applied here. I say this because having looked at Mr F's credit card transactions, I can see that he's always made his payments. I accept that some of Mr F's payments were at or around the minimum payment. But there were also many occasions where Mr F made repayments that were significantly above the minimum amount due. Indeed, Mr F's repayment record, which Santander was entitled to rely on, not only suggested that he could repay what he owed within a reasonable period of time, Mr F did as matter of fact clear the balance in full in December 2023.

Bearing this in mind, I can't reasonably say that Mr F's repayment history ought reasonably to have alerted to the fact that the credit card had become unsustainable for him. And, in these circumstances, I don't think that it was unfair for Santander to apply the interest that it did. As this is the case, I'm not upholding Mr F's complaint about his credit card or requiring Santander to take any action in relation to it.

In reaching my conclusions, I've also considered whether the lending relationship between Santander and Mr F might have been unfair to Mr F under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct Santander to do, in the following section of this final decision, results in fair compensation for Mr F given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Fair compensation – what Santander needs to do to put things right for Mr F

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of Mr F's complaint for Santander to put things right by:

- Reworking Mr F's current overdraft balance so that all interest, fees and charges applied to it from January 2022 onwards (and which have not already been refunded) are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Santander should contact Mr F to arrange a suitable repayment plan, Mr F is encouraged to get in contact with and cooperate with Santander to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mr F's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in January 2022. Santander can also reduce Mr F's overdraft limit by the amount of any refund if it considers it appropriate to do so, as long as doing so wouldn't leave him over his limit.

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 F along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mr F's credit file. Santander can also reduce Mr F's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr F a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm upholding Mr F's complaint. Santander UK Plc should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 6 October 2025.

Jeshen Narayanan
Ombudsman