

The complaint

Mrs C has complained about the fees and charges applied to her account by Santander UK Plc, in respect of her overdraft.

What happened

On 13 July 2020, Mrs C was provided with a £200 overdraft facility. This was then increased twice over a short period: to £400 on 17 July 2020, then to £500 on 7 August 2020.

Mrs C feels the charges were excessive, and that the terms and conditions weren't made clear. She doesn't feel she was given sufficient notice to avoid the charges, and they've led to a cycle of debt.

Santander disagreed, and said the fees were charged in line with the terms and conditions of the account, and it didn't consider there to be signs of financial difficulty.

One of our investigators looked into what had happened. She noted that Santander had a responsibility to monitor and review Mrs C's overdraft facility, to ensure the limit provided remained affordable, and that the debt could be repaid within a reasonable period of time. Overdrafts are not designed to be for prolonged day-to-day expenditure.

Our investigator said that Santander hadn't told us when it would have reviewed Mrs C's overdraft usage. But, considering that the most recent credit limit was provided in August 2020, she thought it reasonable to assume that a review likely took place annually in August each year. So, Mrs C's first review date would have been August 2021.

Our investigator explained that when carrying out a review of an overdraft facility, we'd expect a lender to consider:

- how the account is funded;
- how often the account has a credit balance;
- how the overdraft facility is being used; and
- whether there were any signs of financial difficulties.

Our investigator looked at the account history over the years, with these factors in mind, and felt there were two distinguishable periods.

July 2020 – August 2023

Our investigator could see that during this period, Mrs C had a healthy credit balance. Although she used the overdraft occasionally during this period, this was not for a considerable amount of time. So, there was no signs to suggest that she was struggling financially or in a cycle of debt.

August 2024 – June 2025

Our investigator thought that by the time of the review that would likely have taken place in August 2024, there were some signs of financial difficulty over the previous year. This was because Mrs C hadn't maintained a credit balance for an extended period of time. She thought Santander should have realised that Mrs C wasn't using her overdraft as intended, and so shouldn't have continued offering it on the same terms. By not taking any action, she thought it failed to act fairly and reasonably, and it should take steps to put things right.

Although our investigator understood that Mrs C was unhappy with Santander's level of charges for using her overdraft, she explained that a bank's pricing structure or its interest rates are commercial decisions that a bank is entitled to take. She also explained that Santander had provided evidence to show the fees were shown on her bank statements each month, to show what fee she would be charged and when. It also provided a copy of the terms and conditions which she would have been, provided with at the time she opened her account, which clearly show that she would be charged for any overdraft facility.

Santander disagreed that there were signs of financial difficulty during the period August 2023 – August 2024. The overdraft was utilised during this time, but on receipt of her salary the account remained in credit for long periods. The overdraft of £500 is significantly less than the salary that is received regularly. And, there was no significant rise in the amount charged until December 2023. From November 2023, although Mrs C was in many months using the overdraft for more than 50% of the month, she was not using it constantly.

The overdraft was reviewed in September 2024, December 2024, March 2025, June 2025 and September 2025. It wasn't removed or reduced on these reviews, as there was not a sufficient available balance, over a reasonable period, that would enable Santander to do this. If it had taken this action, this risked it causing financial hardship, as the account would have been placed into an excess position, potentially risking Mrs C being unable to pay priority bills or buy essential items such as food. Santander explained it had attempted to contact Mrs C on a number of occasions to advise about her repeat usage of the overdraft, but hadn't received a response.

The complaint's now been passed to me.

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 agree with the outcome reached by our investigator, and for the same reasons she gave. I've explained my reasoning below, focusing on what I consider to be the main points that are key to reaching a fair outcome.

Up to and including the (assumed) review in August 2023, I've seen no evidence of financial difficulty. But from the (assumed) review in August 2024, I'm satisfied that the overdraft product that Mrs C had, should have been considered to no longer be suitable. From November 2023, Mrs C was using the overdraft heavily – and in considerably more months than not. Further, there were only two months where the account was in credit. I'm satisfied this shows Mrs C was using the overdraft heavily, and not for occasional use, as it was intended. Although her salary was greater than the overdraft, the pattern is suggestive of a cycle of unsustainable debt – meaning charges kept being incurred.

Although it's correct that Santander did contact Mrs C multiple times, I don't think this went far enough. I feel that the continued provision of a £500 overdraft was irresponsible. While I take on board the point that Santander didn't want to leave Mrs S without funds, I can't agree that this justifies irresponsible lending. Otherwise, the argument would always be that a

person can always be provided with (or continue to be provided with) funds, provided the person needs to pay important bills. And this is not how it works. Rather, lending must be affordable. And here, I think it should have been clear it wasn't, from August 2024.

Finally, although I'm requiring Santander to refund some interest and charges, I should note that I'm not commenting on their level, which I'm satisfied was clearly conveyed to Mrs C in regular statements.

Putting things right

To put things right, Santander should:

- re-work Mrs C's current overdraft balance so that all interest, fees and charges applied to it from and including August 2024 onwards are removed

AND THEN EITHER

- if an outstanding balance remains on the overdraft once these adjustments have been made, Santander should contact Mrs C to arrange a realistic repayment plan for this. If it considers it appropriate to record negative information on Mrs C's credit file, it should backdate this to August 2024

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 Mrs C 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 negative information from Mrs C's credit file for the period August 2024 onwards. †

† HM Revenue & Customs requires Santander to deduct tax from this interest. Santander must give Mrs C a tax deduction certificate if it requires one.

My final decision

For the reasons given above, it's my final decision to uphold this complaint. I require Santander UK Plc to take the actions set out above, in the section entitled 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 10 February 2026.

Elspeth Wood
Ombudsman