

## Complaint

Miss B has complained about the overdraft charges Santander UK Plc (“Santander”) applied to her current account. She’s effectively said the charges applied to her account were unfair as she was effectively living in her overdraft and wasn’t using it for short-term borrowing.

## Background

Miss B originally applied for an overdraft in 2013. At this point, Miss B’s account was a student one before it was changed to one which had graduate terms in 2015. Miss B’s graduate terms expired and she began accruing interest on the account. The overdraft limit was increased to £3,000.00 in June 2023.

In October 2024, Miss B complained saying that Santander applied overdraft charges to her account she was effectively living in her overdraft and wasn’t using it for short-term borrowing.

Santander partially upheld Miss B’s complaint. It did not think that it had done anything wrong or treated Miss B unfairly in the period up to the end of September 2018 and from May 2021 onwards. However, it refunded all of the charges added to Miss B’s overdraft in the period between October 2018 and April 2021. Miss B remained dissatisfied after Santander’s response and referred her complaint to our service.

One of our investigators reviewed what Miss B and Santander had told us. He reached the conclusion that we could look at the entire period Miss B had her overdraft for. However, he wasn’t persuaded that Santander had acted unfairly by allowing Miss B to use her overdraft in a way that was unsustainable or otherwise harmful to her up to September 2018 and from May 2021 onwards. So the investigator thought that what Santander had already done to put things right for Miss B was fair and reasonable in all the circumstances of her case.

Miss B disagreed with the investigator and asked for an ombudsman’s decision.

## My findings

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

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. Santander has argued that Miss B’s complaint was made too late because she complained more than six years after some of the charges on the overdraft were applied, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Having carefully considered everything, I’ve decided not to uphold Miss B’s complaint. Given the reasons for this, I’m satisfied that whether Miss B’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

Having considered matters, I'm satisfied that it is reasonable to interpret Miss B's complaint as being one alleging that the lending relationship between Miss B and Santander was unfair to Miss B as described in s140A of the Consumer Credit Act 1974 ("CCA"). I consider this to be the case as Miss B has not only complained about the circumstances behind the application of the individual charges, but also the fact Santander's failure to act during the periods she alleges it ought to have seen she was experiencing difficulty caused ongoing hardship and trapped her in debt.

I'm therefore satisfied that Miss B's can therefore reasonably be interpreted as a complaint that the lending relationship between herself and Santander was unfair to her. I acknowledge the possibility that Santander may still disagree that we are able to look at the whole of Miss B's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss B's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss B's complaint can be reasonably interpreted as being about that her lending relationship with Santander was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Santander) and the debtor (Miss B), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss B's complaint, I therefore need to think about whether Santander's allowing Miss B to use her overdraft in the way that it did, resulted in the lending relationship between Miss B and Santander being unfair to Miss B, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Miss B's relationship with Santander is therefore likely to be unfair if it allowed Miss B to continue using her overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for her. And if this was the case, Santander didn't then remove the unfairness this created somehow.

*Did Santander unfairly allow Miss B to continue using her overdraft in a way that was unsustainable or otherwise harmful for her in the period up to October 2018 and from May 2021 onwards?*

Before I go any further, as this essentially boils down to a complaint that Miss B was unfairly charged as a result of being allowed to continue using her overdraft, I want to be clear in saying that I haven't considered whether the various amounts Santander charged were fair

and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at Santander's charging structure per se, it won't have acted fairly and reasonably towards Miss B if it applied this interest, fees and charges to Miss B's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware that there was a clear reason it would have been unfair to do so. I've therefore considered whether such a reason existed which would have resulted in Santander charging Miss B unfairly.

Having looked through the account transaction data Santander has sent, it's clear that Miss B has been using her overdraft since it was granted to her. I'm therefore satisfied that there can be no dispute that Miss B was using her overdraft over the period of time she's had it. Miss B's arguments appear to suggest that this in itself means that her complaint should be upheld. For example, I've seen what she's said about being allowed to use the overdraft for a decade.

However, Miss B's overdraft was arranged under an open-ended agreement credit agreement. This means that Miss B had an agreement to use her overdraft and as a result she was entitled to use it without having to reapply to do so. Therefore, Miss B using her overdraft in the period that she had it doesn't automatically mean that her complaint should be upheld.

That said, I do accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, it isn't always the case that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. Indeed, if that were automatically the case, there would be an outright prohibition on revolving credit accounts being open ended, rather than there being a requirement for a lender to review how the facility is being used.

It's also worth saying that one such instance where a lender would be expected to act is where it was clear that the customer was experiencing financial difficulty. Nonetheless, it would need to be objectively clear to the lender, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result.

I've therefore considered whether Santander acted fairly and reasonably towards Miss B, in this light. In other words, I've considered whether there were periods where Santander continued charging Miss B (other than during the period between October 2018 and April 2021) even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that she was in financial difficulty.

Having looked through Miss B's account statements throughout the period concerned (up to October 2018 and from April 2021 onwards), I can't see that Santander ought reasonably to have realised that Miss B was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Miss B's overdraft.

I'll explain why I think this is the case in a little more detail.

To begin with, I can't see Miss B notified Santander that she was struggling and that these charges. If she had Santander would have known that the charges were causing harm and I would have expected it to act. Nonetheless, even though I can't see that Miss B directly told Santander that she couldn't afford to pay these charges, I've considered whether her

account activity ought to have alerted it to this being the case.

In considering this matter, I'm mindful that in order to help with determining whether it is objectively the case that a customer was experiencing financial hardship, the regulator has set out guidance on what it considers to be potential indicators of financial difficulty. The '*Guidance on financial difficulties*' states that things such as a customer failing to meet consecutive payments to credit, being unable to meet their commitments out of their disposable income, having adverse credit or other insolvency information recorded against them, or being in a debt arrangement should be considered as potential signs of a customer being in financial difficulty.

However, having looked at Miss B's account transactions, I've seen no indication that any of the potential signs of financial difficulty contained in the guidance, were obviously present in her circumstances during the entire period I've looked at. I also can't see anything in Miss B's account transactions which suggest that Santander should have known that she was borrowing from payday or other high-cost lenders, which although not contained in the regulator's guidance, is generally accepted to be an indication that a borrower could be struggling too.

I've also looked at Miss B's incomings and outgoings as well as her overdrawn balances and determined whether it was possible for her to have stopped using her overdraft, based on this. I think that if Miss B was locked into paying charges in circumstances where there was no reasonable prospect of her exiting her overdraft then her facility would have been unsustainable for her, even where the indicators of financial difficulties I've set out above weren't clearly present in her circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that throughout the period of time I'm looking at, Miss B's account was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time. Indeed, I'm satisfied that Miss B's case isn't one where a borrower was marooned in their overdrawn with no reasonable prospect of exiting it. The fact that Miss B was receiving regular credits into her account is another reason why her overdraft doesn't appear to have been obviously unsustainable for her.

Furthermore, while I'm not seeking to make retrospective value judgements over Miss B expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Miss B's account. Indeed, there was more than one occasion where Miss B chose to make purchases rather than remove the overdraft on the account. Equally, I don't agree with Miss B when she says that these purchases themselves were indications of financial stress and that Santander was reasonably entitled to conclude that Miss B was making these purchases because she had sufficient funds to do so.

I accept that Miss B may well have had other credit commitments at this time. But this in itself does not mean that she was reliant on credit to meet her essential expenditure. And it isn't immediately obvious to me that Miss B was borrowing from unsustainable sources – such as payday type lenders – in order to pay for the charges, or meet other committed expenditure either.

Of course, I accept neither of these things in themselves (or when taken together) mean that Miss B wasn't experiencing difficulty. But I don't think that Miss B's account conduct and overdraft usage obviously show that she was. And bearing in mind I'm satisfied that it is more likely than not that Miss B did not directly tell Santander that she was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold her complaint.

Looking from the outside, it looks like Miss B had the funds to be able to reduce the amount that she used her overdraft. It's also clear that Miss B's account went into a credit balance.

Therefore, I don't think that Miss B was obviously locked into using her overdraft and paying the charges for doing so.

For the sake of completeness, I would also add that I've noted what Miss B has said about the position that Santander has taken in relation to her overdraft usage from 2023, being inconsistent with its approach to her usage between October 2018 and May 2021.

In the first instance, I would say that it is up to a lender to decide which period, if any, it wishes to refund any charges for. Most importantly, it doesn't automatically follow that a lender needs to refund all the charges applied to an account just because it agreed to refund some of them. In any event, I'm not persuaded that Santander's position is inconsistent. I say this because there were consistent credits going into Miss B's account in 2023, which meant that she wasn't simply remaining at the upper end of her overdraft.

So, in my view, there was a reasonable prospect of Miss B exiting her overdraft from 2023 onwards. And Santander was reasonably entitled to believe that Miss B was choosing to use her overdraft in the way that she was, rather than a case that her financial circumstances meant that she had no choice other than to do so.

As this is the case, I don't think that it was unreasonable for Santander to have proceeded adding the charges that it did and which it hasn't refunded. I therefore don't find that the relationship between Miss B and Santander was unfair to Miss B.

I've not been persuaded that Santander created unfairness in its relationship with Miss B by allowing her to use her overdraft in the way that she did up until September 2018 and from May 2021 onwards. And any unfairness that may have been created by Santander allowing Miss B to continue using the overdraft in the same way between October 2018 and April 2021 has since been removed as a result of Santander refunding the fees it charged during this period. Based on what I've seen, I don't find Santander treated Miss B unfairly in any other way either.

Overall and having considered everything, while I can understand Miss B's sentiments and appreciate why she is unhappy, I'm nonetheless satisfied that what Santander has already done to put things right in her case is fair and reasonable in all the circumstances and I'm not upholding this complaint. I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss B's complaint, I would remind Santander of its obligation to exercise forbearance and due consideration, given there was an intention to remove the overdraft in the final response.

I would encourage Miss B to get in contact with and co-operate with any steps that may be needed to review how she might be able to clear her overdraft going forward. Miss B may be able to complain to us – subject to any jurisdiction concerns – should she be unhappy with Santander's actions in relation to exercising forbearance on her outstanding overdraft balance.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 December 2025.

Jeshen Narayanan  
**Ombudsman**