

The complaint

Miss M complains that Santander UK Plc allowed her to make changes to her overdraft facility without ensuring that these were affordable.

What happened

Miss M has had an overdraft with Santander since August 2017. For the purposes of this complaint, I'll only be considering the activity from 2020 onwards, as Miss M says this is when it became an issue for her.

In January 2020, Miss M's overdraft limit was £150. Miss M increased and decreased her limit multiple times over the years, with it ranging between £50 and £1,500. In March 2025, when we received Santander's file, her limit stood at £600.

Miss M complained to Santander that they allowed her to continually increase her overdraft limit. She said the interest applied to her account has been detrimental to her finances over the past few years. Santander responded to Miss M's complaint in March 2025 saying that, based on the checks they carried out at the time, they had no reason to believe the overdraft would be unaffordable.

Miss M wasn't happy with Santander's response, so she referred her complaint to the Financial Ombudsman. An investigator here assessed her complaint and, whilst he couldn't be sure that the checks carried out by Santander were proportionate, he found that they made fair decisions to lend.

Miss M didn't agree with the opinion of the investigator. She felt that if Santander couldn't provide evidence of their affordability checks, it should be assumed that their decision to lend was irresponsible. She also felt that the bank statements the investigator reviewed didn't give a full picture of her financial situation. She said she was relying on additional borrowing (in the form of credit cards and loans) to clear her overdraft each month.

Because an agreement couldn't be reached, the complaint has been passed to me to decide. I issued a provisional decision, explaining that I was intending to partially uphold the complaint. I explained why, as follows:

The rules and regulations in place at the time Santander provided Miss M with the overdraft required them to carry out a reasonable and proportionate assessment of whether she'd be able to repay it in a sustainable way. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower-focused'. This means Santander had to think about whether repaying the credit would cause difficulties or adverse consequences for Miss M. In other words, it wasn't enough for Santander to consider the likelihood of them getting the funds back or whether Miss M's circumstances met their lending criteria – they had to consider if Miss M would be able to repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In

general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer and the amount, purpose, cost of credit they were seeking. I've kept all of this in mind when thinking about whether Santander did what was needed before lending to Miss M.

Finally, as well as ensuring that Miss M could afford to repay the overdraft when the limits were initially provided, Santander had an obligation to periodically review the overdraft usage. This would be to ensure it remained affordable and that Miss M could repay the debt within a reasonable period.

Did Santander carry out reasonable and proportionate checks?

Santander were providing Miss M with a revolving credit facility, rather than a loan. And this means Santander needed to check whether Miss M would be able to repay the limits they were providing within a reasonable period of time, rather than all in one go.

Santander have told us they undertook the relevant affordability checks, but they don't keep records of what these checks showed. I understand that Miss M feels that this alone should mean that they shouldn't have lent to her, but that's not the case. All it means is that, whilst I can't be sure that the checks carried out by Santander were proportionate in her circumstances, I need to go on and consider what proportionate checks would have likely shown.

What would proportionate checks have shown?

Between January 2020 and October 2020, Miss M's overdraft limit fluctuated between £100 and £1,000. As Santander cannot provide evidence of the checks they carried out at the time of the lending decisions, I've reviewed Miss M's bank statements to get an understanding of her financial circumstances. To be clear, I'm not saying Santander should have reviewed Miss M's statements. Rather, I'm relying on the information contained in the statements to decide what Santander would have found out had they asked more questions.

I can see that Miss M was receiving a monthly income of around £1,000 made up of student loan payments and wages and had limited regular outgoings. It's not clear whether Santander carried out a credit check at the time, but I don't think this would have suggested that Miss M was struggling. I say this because, although Miss M told us that she was reliant on other types of lending, I've not seen any evidence of credit cards or other debt used to repay the overdraft during this time.

Based on this, I don't think Santander were wrong to increase Miss M's limit between January and October 2020. Most of the increases up until mid-September were for modest amounts and wouldn't have required especially large payments to clear the full amount within a reasonable period. Miss M was earning more than these limits and appeared to have limited essential spending. So, it's likely Santander would have found that she had enough disposable income to cover her essential spending and still repay the overdraft within a reasonable period. I don't think it would have been reasonable to expect Santander to review Miss M's account usage at this point, as the income and expenditure details didn't suggest that she might be struggling financially.

I accept that, in the last two weeks of September 2020, the overdraft quickly increased to £1,000. This can sometimes be an indication that someone is reliant on lending to get by. But Miss M income and expenditure details had remained the same, so I'm satisfied that her disposable income was high enough to afford these increases. Her overdraft limit had previously been as high as £1,000 (between July and September 2019) and she hadn't appeared to have had any trouble repaying that. There was also no indication on the

statements that she was relying on other types of lending at the time. So, I'm satisfied that, even if Santander had asked Miss M more questions about her financial circumstances, they would have found that the quick increases to £1,000 were affordable.

So, I'm currently minded to say that Santander didn't act unfairly when they increased Miss M's overdraft limit between January and October 2020.

Did Santander act fairly when they renewed Miss M's overdraft facility?

As I mentioned earlier, Santander had an obligation to periodically review the overdraft usage. The intention of these reviews is to identify as early as possible customers where repeated usage of their overdraft might be an indication of financial difficulty. It's important to clarify that banks don't necessarily review the individual transactions on an account when considering whether to renew an overdraft facility. Rather, they are more likely to look at the high-end management of the account itself, in other words check for missed payments, returned direct debits or failure to bring the account back into credit.

In Miss M's case, Santander renewed the £1,000 limit in May 2021. I wouldn't have expected them to carry out a review sooner than this – it was around six months after they'd last increased Miss M's overdraft. As this decision should have involved a review of Miss M's account usage, I've reviewed all the available statements to understand whether Santander acted fairly in renewing the overdraft at that point.

I can see by May 2021 Miss M had been in her overdraft almost every day since the £1,000 limit had been granted in October 2020, sometimes even going over the agreed limit. She also had multiple direct debit payments returned due to insufficient funds. So, I think a more in-depth review was warranted here as there were signs that Miss M might have been struggling with managing her finances.

Having done so, I can see that Miss M was gambling almost every day, in increments of around £20 a time, often making multiple bets in a single day. Her average monthly income at the time was around £1,000 but her gambling spend was approximately:

- £1,700 in October 2020.
- £2,600 in November 2020.
- £1,900 in December 2020.
- £1,600 in January 2021.
- £2,000 in February 2021.
- £1,300 in March 2021.
- £800 in April 2021.

It's clear from this activity that Miss M was using the lending to fuel her gambling habit which was, in turn, causing her harm. Santander were applying significant interest and charges to her account because of her persistent overdraft usage. So, I think it should have been clear to Santander in May 2021 that continuing to lend to Miss M might not be responsible.

Santander have mentioned the fact Miss M had savings in her Help to Buy Individual Savings Account ('ISA'), as well as with other lenders. I can see why they would rely on this to mean there might not have been immediate affordability concerns. That being said, I noted during this period that Miss M regularly transferred money from her savings account to fund her gambling habit. For example, in November 2020, Miss M transferred £1,100 to her current account which was almost exclusively spent on gambling websites within a few days. So, I think that Miss M was showing a well-established pattern of gambling which ought to

have called into question how long her savings were going to last. And, in fact, I can see that Miss M held no further savings in her ISA after May 2022.

Because of the extent of Miss M's gambling, I think Santander ought to have had a conversation with Miss M before renewing her overdraft in May 2021. I accept that it's not clear what would have happened after this conversation and whether the overdraft would have been removed. However, I'm inclined to say there was enough information available to Santander to realise the only reasonable conclusion was that it wasn't responsible to continue giving Miss M access to the overdraft facility. In fact, I can see that following Miss M's irresponsible lending complaint, Santander have taken the decision to remove her overdraft facility.

So overall and having considered everything, I'm currently minded to conclude that Santander acted unfairly when renewing Miss M's overdraft facility in May 2021, and they should have closed it instead. I accept that Miss M's circumstances changed shortly after, in September 2021, when she secured a new job with a higher income of around £1,800 per month (which increased to around £2,700 by 2024). However, I'm not persuaded that this improved her overall financial circumstances as she continued to rely heavily on the overdraft, spending large amounts of gambling as well as having returned direct debits. So, I don't think there ever was a point where Santander would have been able to fairly reinstate the overdraft facility without continuing to cause Miss M financial harm.

I've considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Miss M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Miss M responded to the provisional decision and confirmed she accepted it.

Santander also responded and raised the following points:

- Miss M didn't make Santander aware of any gambling concerns and didn't make use of the various functionalities available to her to block gambling transactions.
- Miss M's account management in May 2021 didn't indicate potential financial difficulties but, in any event, Miss M didn't have enough headroom to allow her to reduce the overdraft limit without risking further financial hardship.
- Santander sent Miss M multiple communications about her pattern of repeat use between August 2021 and February 2025 but Miss M didn't contact them until she complained in April 2025.
- Miss M's overdraft wasn't removed after she raised her complaint.

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've reached the same outcome as I did in my provisional decision, and for the same reasons.

Santander feels that Miss M could have done more to block the gambling transactions. But I'm not persuaded that this removes the onus on Santander to step in when the lending was clearly causing Miss M financial harm.

I appreciate Santander's point about not being able to reduce Miss M's overdraft limit in May 2021 due to the lack of headroom. However, this could have been achieved gradually, by arranging a suitable repayment plan with Miss M. Ultimately, it wasn't responsible to continue providing the overdraft to her after this point.

I also appreciate that Santander sent Miss M multiple letters and emails throughout the years about her pattern of repeat use, but she didn't get in touch until she complained. However, as I explained in my provisional decision, the nature of the expenditure on the account means that I'm satisfied that the only reasonable outcome would have been to remove the overdraft in May 2021.

Finally, I acknowledge Santander's comment about the overdraft not being removed after Miss M complained. As this has no impact on the outcome, I won't comment on it further.

Overall, I've not seen anything which changes my provisional decision. And so, it stands that I uphold Miss M's complaint against Santander.

Putting things right

As I've explained, I'm inclined to say Santander shouldn't have renewed Miss M's overdraft in May 2021. If they hadn't, she wouldn't have incurred any interest or charges in relation to it after that point. I'm currently intending to direct Santander to put things right by doing the following:

- Rework Miss M's current overdraft balance so that all interest, fees and charges applied to it from May 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Santander should contact Miss M to arrange a suitable repayment plan. If they consider it appropriate to record negative information on Miss M's credit file, they should backdate this to May 2021.

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 Miss M 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 Miss M's credit file.

*HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Miss M a certificate showing how much tax they have taken off if she asks for one.

My final decision

For the reasons I've outlined above, I'm partially upholding Miss M's complaint and directing Santander UK Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 15 January 2026.

Amelie Makris

Ombudsman