

The complaint

Miss T complains that Santander UK Plc (Santander) was irresponsible in granting her a personal current account overdraft, as it was unaffordable for her. Miss T also complains that she's struggled to repay the overdraft and has been using it heavily for several years.

What happened

Miss T held a personal current account with Santander. In September 2017, Miss T applied for an overdraft, which Santander granted. The initial credit limit was £250.

In October 2017, the credit limit was increased to £1,500. And, in July 2020, the credit limit was increased to £2,000.

In February 2024, Santander wrote to Miss T to say it thought she was eligible for a personal loan which would have a lower interest rate than her overdraft facility. In July 2024, Santander contacted Miss T to offer her a different type of current account and overdraft facility – with a lower interest rate. Miss T accepted that offer.

In 2025, Miss T complained that Santander had been irresponsible in granting the overdraft facility and subsequent credit limit increases. She said she'd struggled to repay the overdraft facility.

Santander didn't issue a final response to Miss T's complaint within the time limit set by the regulator, so she referred the complaint to our service.

One of our Investigators considered Miss T's complaint. He explained to Miss T that Santander had only applied interest and charges to the account from January 2022 onwards, and there'd been no financial loss to Miss T before that point. Miss T therefore said she was happy for our Investigator to focus on what had happened from January 2022 onwards.

Our Investigator upheld Miss T's complaint. Initially he recommended that Santander refund fees and charges from November 2023 onwards. Following some clarification from Santander, to resolve things he recommended that Santander refund fees and charges from September 2024 onwards.

Miss T accepted our Investigator's opinion. Santander disagreed. As our Investigator couldn't resolve things, the case comes to me to decide.

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.

I've considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the consumer credit handbook (CONC). In summary, these say that Santander had a duty to review the account regularly to ensure the overdraft continued to be affordable for Miss T.

If Santander identified that Miss T had a pattern of repeat use of her overdraft, it had a duty to contact her – and to continue to attempt to contact her if she didn't respond. If NatWest also identified that Miss S showed signs of actual or potential financial difficulties, and Miss S didn't respond to its attempts to contact her, Santander also had a duty to take further steps after a reasonable period.

The transaction history for the account shows that Miss T was using the overdraft almost continuously from the start of 2022, and generally using it heavily from the middle of 2023 onwards.

They also show that Miss T wasn't receiving her income into the account, and was transferring funds on an ad hoc basis. She would typically transfer most of the funds back out within the same month, so the outstanding balance increased rather than decreasing over time. By June-July 2024 the account was very close to its credit limit.

By that point, Miss T was spending very little directly from the account, instead transferring funds to another account in her name. When Miss T had been spending from the account, the transactions were a mix of essential and discretionary expenditure. But by the middle of 2023, it doesn't seem that Santander had much of a picture of Miss T's income and essential expenses.

Overdrafts are generally intended for short-term, emergency borrowing, which isn't how Miss T was using her personal overdraft facility with Santander. When Santander next reviewed the account in September 2024, the account hadn't had a credit balance in two years. I think Miss T's prolonged use of the overdraft facility was a sign she was experiencing actual or potential financial difficulties.

Santander sent Miss T letters about persistent usage periodically from December 2022 onwards.

I don't think Santander did enough here. I think it should have stepped in to gradually reduce Miss T's overdraft limit from September 2024 onwards, given the signs of financial difficulty displayed. Given this wasn't Miss T's main account, I think it's likely there was scope for Santander to gradually reduce the overdraft limit without putting her under financial stress. And I think that would have been proportionate to the signs of financial difficulty I've mentioned.

In saying that, I acknowledge that Miss T appears to have not responded to several attempts from Santander to contact her about his overdraft. However, had Santander let her know it was going to take action in reducing his limit, I think it likely she would have responded at that point, and been forced to address the situation.

Putting things right

Finding the fair and reasonable way to put things right in this situation isn't straightforward.

What Santander UK Plc ought to have done is begin to reduce Miss T's overdraft limit from September 2024. And so, the amount of interest she was paying ought also to have gradually reduced. However, reconstructing the pace and trajectory of those reductions more is simply not feasible.

Taking into account my role to resolve complaints quickly and with the minimum of formality, and also my ability under Section 229 (2) (b) of the Financial Services and Markets Act 2000 to award what I consider to be fair compensation, I think the fairest outcome is for Santander UK Plc to:

- Rework Miss T's current overdraft balance so that all interest, fees and charges applied to it from September 2024 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Santander UK Plc should contact Miss T to arrange a suitable repayment plan. Miss T is encouraged to get in contact with and co-operate with Santander UK Plc to reach a suitable agreement for this. If it considers it appropriate to record negative information on Miss T's credit file, it should reflect what would have been recorded if Santander UK Plc had begun to reduce Miss T's overdraft limit from September 2024. Santander UK Plc can also reduce Miss T's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her 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 Miss T along with 8% simple interest a year* on those overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Santander UK Plc should remove any adverse information from Miss T's credit file.

Santander UK Plc can also reduce Miss T's overdraft limit by the amount of the refund if it considers it appropriate to do so.

I've also considered whether Santander UK Plc's actions have meant there's an unfair relationship between it and Miss T. However, I'm satisfied the redress I've directed above results in fair compensation for Miss T in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

*HMRC requires Santander UK Plc to take off tax from this interest. If Miss T asks for a certificate showing how much tax has been taken off this should be provided.

My final decision

My final decision is that I uphold this complaint. To resolve things, Santander UK Plc should take the steps I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 26 March 2026.

Frances Young
Ombudsman