

The complaint

Mrs R complains about the service received from Santander UK Plc when repaying her overdraft.

What happened

The background to this complaint is well known to both parties, so I won't repeat it at length here. As a summary, Mrs R held a current account including an overdraft facility with Santander. In February 2025, Santander made the decision to close Mrs R's account and demanded repayment of the overdraft in full, in line with the terms and conditions of the account.

Mrs R then agreed to a repayment plan to repay the overdraft, however, became aware Santander had recorded a missed payment on her credit file in April 2025. Following this Mrs R received a notice of default dated 12 April 2025. Further to this, Mrs R received a letter from Santander dated 15 April 2025, which she says set out it had already defaulted the agreement.

Following this, Mrs R paid off the overdraft balance in full and complained to Santander about the service it had provided.

Initially Santander didn't agree it had done anything wrong. It said it had recorded fair information with credit reference agencies. In relation to the notice of default, Santander said as the overdraft balance was outstanding after it had requested repayment, it was reasonable in issuing this. Santander apologised for any confusion and confirmed no default had been recorded.

Unhappy with Santander's response, Mrs R referred her complaint to the Financial Ombudsman. Santander then reviewed its position. It acknowledged it had made an error in setting up Mrs R's payment arrangement, meaning it had recorded adverse information on her credit file, which it offered to amend. Santander however explained that it was correct in issuing the notice of default. To apologise for the errors made, alongside amending Mrs R's credit file, Santander paid Mrs R £250 compensation.

One of our Investigator's looked into what happened and thought while errors had occurred, the steps Santander had now taken were reasonable, so didn't recommend it do anything further.

Mrs R didn't consider the compensation offered fair. She said she'd had to spend considerable time on this matter because of Santander's mistakes, which had also impacted her health. Mrs R said the adverse information on her credit file also prevented her from accessing other credit.

As the matter wasn't resolved, the complaint has been passed 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 given consideration to the relevant rules and regulations applicable to this complaint and while I may not comment on everything (only what I consider is key) this is not meant as a discourtesy to either party, rather reflects the informal nature of our service.

My understanding is that the underlying concerns have been resolved, in that Mrs R has repaid the overdraft, Santander has recorded accurate information to credit reference agencies about the account, and no default has been recorded.

In this decision my role is to therefore consider fair compensation for the errors that have occurred. And that is to say, all parties accept Santander made errors, however there is disagreement as to the extent of these errors and the consequent impact on Mrs R.

When Santander closed Mrs R's current account, it required repayment of the overdraft facility in full, which is something it was entitled to request in line with the terms of the account.

Mrs R agreed a repayment plan with Santander of £10 per month. From the systems notes, my understanding is Mrs R had explained this was what she could afford at the time. I therefore think Santander was reasonable in agreeing to this plan.

However, it's unclear whether Santander explained the likely impact of this, which is that while Mrs R had agreed a repayment plan, it would continue to default the account as the terms of the agreement had been breached – being that the overdraft hadn't been repaid in full when requested.

I appreciate Mrs R may disagree, but I don't find Santander was wrong to begin default proceedings although she'd set up a repayment plan. An overdraft is repayable on demand, and initially Mrs R had explained she wasn't in a position to do this, rather had agreed to a long-term repayment plan. While Mrs R had set up the repayment plan, as this was outside of the terms of the overdraft, Santander was entitled to issue a notice of default.

However, as explained above, I'm not persuaded this was clearly explained to Mrs R. I think matters would have been further compounded by the letters Santander issued on 12 and 15 April 2025. While they both set out Santander would shortly default the account, they gave different timeframes for Mrs R to bring her account up to date.

I appreciate that if Mrs R wasn't aware her account could be defaulted during the repayment plan, these letters, would have been concerning to receive. That being said, I find they had the desired effect, which is that they let Mrs R know her account was at imminent risk of being defaulted and she then took steps to prevent this happening, being that she repaid the overdraft balance.

I don't doubt this would have been a concerning period for Mrs R, I've taken into consideration everything Mrs R's shared with our Service and I'm sorry to hear of the challenges she'd faced including her health. When considering the errors Santander made, which is how it communicated the risk of a default, rather than beginning the default process, which I've found reasonable, I do overall find Santander's payment of £250 compensation to be reasonable.

I appreciate Mrs R may disagree and feels strongly that Santander should pay further compensation. I also note that Santander initially didn't agree it had made an error and then accepted it had done something wrong. While I don't wish to diminish any upset Mrs R was caused, I do find this amount reasonable to recognise the errors Santander made and is in line with how our Service awards compensation. So, I don't then find that Santander must pay anything further.

I've taken on board Mrs R's comments that the late payment marker Santander recorded in April 2025 prevented her from obtaining other credit. I haven't however seen evidence to demonstrate Mrs R was declined credit solely due to this marker or that she suffered a loss as a result. So, I don't find Santander must pay further compensation on this point.

In conclusion, while Santander should have been clearer in explaining that it may default Mrs R's account even though she had set up a repayment plan, I find Santander has taken reasonable steps to acknowledge the errors it made. This is that it's confirmed no default has been recorded, it's amended the information it's reported on Mrs R's credit file and paid £250 compensation to apologise for the errors made. Therefore, I won't be directing Santander to do anything further in relation to this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 31 March 2026.

Christopher Convery
Ombudsman