

complaint

Ms W complains that Santander UK Plc refused to renegotiate her personal loan when she was facing financial difficulties and harassed her for payment. She also says it imposed charges on her current account which led to a cycle of debt.

background

Ms W took out an unsecured loan with the bank in 2011, but by 2012 she was facing financial difficulties. Her June direct debit was returned unpaid. Ms W says that before she went abroad to work for two years, she visited a local branch to ask if she could reduce her loan payments, but this was refused. The bank says that as her account was in arrears it was not prepared to reschedule the loan. It says that following the missed payment the account was transferred to its collections department. The bank's records show that a repayment plan was agreed in early 2013 for three months, but Ms W notified the bank she was unable to maintain the agreed payments. The bank says that as the account was in arrears it continued to contact Ms W.

Ms W says that while abroad she received frequent calls about the arrears on her account. She says that she explained that she would be able to clear her account on her return which she has done. However, in the meantime her credit file has been affected. Subsequently she received a letter from a debt collection agency asking for repayment of the loan. Santander acknowledged that this was issued in error and has paid Ms W £70 compensation.

On the issue of the charges on her current account the bank says it imposed these correctly, but over the last couple of years it refunded these to assist Ms W. It says that it has either reversed or repaid fees totalling £1,162. Ms W says she faced a cycle of charges which made her financial position worse.

Ms W's complaint to the bank was rejected and she brought the matter to this service. The adjudicator did not recommend that it be upheld. He considered that the bank had set up two temporary arrangements for Ms W, but she was unable to maintain these. It was not unreasonable for the bank to take action to collect the debt. As for the current account charges the adjudicator pointed out that following the Supreme Court ruling in 2009 charges cannot be challenged as either too high or unfair. While we would expect the bank to act positively and sympathetically where a customer is in financial difficulties it was not obliged to suspend charges. He considered the bank's refund or reverse of the charges to have been a reasonable response. Ms W did not agree.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Firstly I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I do not perform the role of the industry regulator and I do not have the power to make rules for financial businesses or to punish them.

Ms W entered into an agreement with the bank to borrow money and pay it back in accordance with the agreed terms and conditions. Unfortunately she found herself in financial difficulties and failed to meet her monthly repayments. Although the bank initially

refused to accept lower payments with the offer of a lump sum settlement being made on her return from abroad it did in due course enter into two temporary arrangements. It appears that these were not wholly successful and it continued to chase the money it was owed.

The issue was made more challenging due to Ms W being abroad and I can appreciate her frustration at not being able to find a solution to her financial problems. However, I do not consider the bank has been unreasonable in its dealings with this account. Ms W fell into arrears and the bank followed its standard processes by transferring the account to its collections arm and offering temporary arrangements. I appreciate that Ms W felt harassed by frequent phone calls, but the bank was entitled to take reasonable steps to recover money it was owed. It did make a mistake in passing the account to a debt collection agency after it had been repaid and it has paid Ms W compensation of £70 which I consider to be fair and reasonable.

As for the current account charges the adjudicator found that these had been applied in line with the terms and conditions of the account and the bank had not made an error. He further explained that the Supreme Court ruling of November 2009 said that charges cannot be challenged because they are unfair or too high.

While I have some sympathy with Ms W, ultimately the responsibility for managing an account lies with the customer. I am not persuaded that the bank has made any errors in how it has applied the overdraft charges. As mentioned above, following the Supreme Court test case, these charges cannot be challenged as unfair or too high. I can see no reason to direct the bank to refund all, or any, of them.

I appreciate that Ms W will find my decision disappointing but I cannot safely conclude that the bank has made an error.

my final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Ms W to accept or reject my decision before 29 June 2015.

Ivor Graham
ombudsman