

complaint

Mr K complains that Santander UK Plc changed his business account to a different account that charges an unauthorised administration charge. Mr K says that the new account is unsuitable for his business, as it charges a monthly fee if less than £50,000 is deposited into the account. Mr K wants Santander to refund the monthly charges with interest and pay compensation.

background

Mr K opened a business banking account in 2008 with Alliance & Leicester (now part of Santander). In 2009, Alliance & Leicester wrote to him to tell him about a change in fees and charges. The bank has sent us a copy of the standard letter and fee information that it says was sent to Mr K. The fee information sheet mentions an underfunding fee of £25 that will be applied to the account if less than £50,000 is credited to the account in any given month. Mr K says that he did not receive a copy of this letter and fee information.

The bank says that Mr K was free to switch to another account if he had been unhappy with the charges on his account. But Mr K does not appear to have queried the charges with the bank until May 2012. At this point, Mr K said that his relationship manager at Santander told him that the bank had wrongly classified his account as a Corporate Account. This meant that the charges were applied to his account each month. Mr K says that the bank agreed to refund the underfunding charges paid to date with interest and to stop charging them going forward. Mr K says that the bank stopped charging the fee but did not issue the refund and interest.

The adjudicator considered that Mr K's account should not have been reclassified as it was clear that he could never deposit £50,000 a month. He also felt that even if Mr K had received the letter and new fees leaflet, the change in terms was not brought clearly enough to the attention of the customer. The adjudicator also thought that Santander failed to draw Mr K's attention to the fact that he could switch accounts to one that better suited his needs.

Santander offered to refund all of the underfunding fees together with interest making a total refund of £1,120.33. It also offered to suspend the underfunding fee for a further three months so that Mr K could find another account.

Mr K wants longer to find a new account as his account is overdrawn and he cannot switch until it is brought to a zero balance. He also wants compensation for the inconvenience caused to him.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I sympathise with Mr K's situation as he did not realise that the charges were going to be applied to his account. But I agree with the adjudicator that I would reasonably expect Mr K to have raised his concerns about the charges with the bank sooner than he did. In the circumstances, I consider the offer to refund all of the charges with interest to be reasonable.

The bank also offered to suspend the underfunding charges for a further three months. In my view, Mr K cannot blame the change in his account for the fact that he is overdrawn. If Mr K had wanted to switch account at any time in the last few years, he would have had to make

arrangements to repay his overdraft. If the charges and interest are refunded to his account, he will be put back in the same position as if he had not been charged the monthly fee. But in order to be clear about the date on which the fee will start to be charged again, I consider that the underfunding charge should be suspended on Mr K's account for a further three month period – and this should be three months from the date of this decision.

I appreciate that Mr K says he has been distressed and inconvenienced as a result of the change to his account and the time he has spent trying to resolve matters. But I consider that the refund of charges and interest, together with the suspension of the charges, is enough to compensate Mr K for any inconvenience suffered.

my final decision

My decision is that I uphold this complaint in part and order Santander UK Plc to refund the underfunding charges of £825 with interest of 8% on those charges to be calculated from the date each charge was applied to the account to the date of settlement. I also direct Santander UK Plc to suspend the underfunding charge for a further three months from the date of this decision.

If Santander considers it has to deduct tax from the interest element of my award, it should send Mr K a tax deduction certificate when it pays him. He can then use that certificate to try to reclaim the tax, if he is entitled to do so.

Gemma Bowen
ombudsman