

Complaint

Mr H complains that Santander UK Plc mismanaged some payments on his current account which left him in an unarranged overdraft.

Background

At the start of April, Mr H used his debit card to make payments totalling around £700 to a merchant, who I'll refer to as A. Sometime after this, Mr H checked the available balance on the account, and noted he was around £700 in credit. He subsequently spent these funds.

Towards the end of April, Mr H noted that his account was around £700 overdrawn. He contacted Santander as he thought there must have been an error. He said that the account didn't have an overdraft facility, and in any event, he'd only spent his available balance.

Santander said that A hadn't claimed the payments Mr H made at the start of April until almost four weeks later. This was after Mr H had checked his available balance and spent the amount shown. Santander said it had no option but to honour the payments, even though this took Mr H into an unarranged overdraft. And as Mr H had authorised the payments, he was liable for them. It froze all interest and charges while it investigated Mr H's concerns and later agreed that he could repay the outstanding balance gradually.

Mr H remained unhappy so brought his complaint to us. He felt that the funds shouldn't have shown in his available balance while Santander was waiting for A to claim them. This made it look like they were available to spend. He said that Santander should have refused the payments instead of allowing him to go into an unarranged overdraft. In settlement, he felt the debt should be waived and all record of it removed from his credit file.

Mr H also complained about the time he'd spent trying to resolve the matter, and said that Santander repeatedly made promises to call him back but never did.

Our investigator didn't uphold Mr H's complaint. He said that a short time after Mr H authorised the payments Santander had made the funds available to him again because A hadn't claimed them. But he pointed out that A had six months to make this claim. He didn't think Santander could have refused to honour the payments because Mr H owed A the money. Mr H didn't agree, so I need to make a final decision.

My findings

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 decided not to uphold it. I'll explain why.

Card payments involve a two stage process whereby they are authorised by the customer and settled by the merchant later. In the majority of cases, merchants will claim payment within a few working days. So banks will generally set authorised payments aside for a short period of time to help customers manage their spending. After that, if the funds aren't claimed by the merchant, the funds are released back into the customer's account.

Mr H accepts that he authorised the transactions to A. There were sufficient funds in his account to pay for them at that time. So Santander accepted his authorisation and set the funds aside for A to claim in the manner I've described above. After 15 days, Santander had received no claim from A. So it released the funds back into Mr H's account.

I acknowledge Mr H's comments that this enabled him to spend money he'd effectively already spent. But I'm satisfied 15 days was a reasonable time for Santander to have set the funds aside. By releasing the funds back into Mr H's account after that period, Santander was acting in line with its process and wider industry practice. It's unfortunate that A took nearly four weeks to claim the payments. But this wasn't within Santander's control. And there was still some onus on Mr H to monitor the payments coming in and out of his account.

I know that Mr H feels that Santander should have refused to make the payments given that he had no overdraft facility. But I don't think Santander was in a position to do that. If banks were able to refuse to honour authorised card transactions, merchants selling goods and services would have no guarantee that they'd ever receive payment. Under the relevant scheme rules, A had six months to claim the payments. So Santander had no grounds to refuse its claim, leaving no option but to put the account into an unarranged overdraft.

Mr H has complained that he spent a lot of time on the phone with Santander but didn't achieve a satisfactory resolution. The resolution Mr H wanted was for Santander to waive the outstanding balance. That isn't something I'd have expected it to do given that Mr H ultimately had the benefit of £700 more than he had in his account. But I think it did take other positive steps to help Mr H repay the outstanding balance in a sustainable way.

Santander suspended interest and charges while it looked into Mr H's concerns. It referred Mr H to debt charities, and later agreed to his proposal to repay the balance gradually over time. It's agreed to stop collection activity and to freeze all interest and charges while Mr H makes repayments, which will stop the debt from growing. So while Mr H did make a number of calls to Santander, I think it worked with him to lessen the impact of what happened.

Mr H feels that Santander repeatedly failed to call him back as promised. I can see a number of entries in Santander's call logs which suggest that it tried unsuccessfully to contact Mr H on both his mobile number, and the foreign landline number he provided. Santander has also sent us a record of a voicemail left for Mr H by a complaint handler. So I'm satisfied Santander made reasonable attempts to call Mr H. And I can see that he was able to discuss the matter with Santander over the phone when he made inbound calls.

I appreciate Mr H is unhappy that Santander is reporting on his credit file that his account is in arrears. Santander has agreed that Mr H can repay the debt gradually. Whether lenders continue to report arrears in these circumstances depends on the size and regularity of the repayments. If the debt is likely to be repaid reasonably quickly, lenders will sometimes agree to report an 'arrangement'. But in this case, Santander says Mr H has only made one repayment towards the debt so far. So I think it's reasonable that it's continued to report the arrears on Mr H's credit file as that accurately reflects how the account is being managed.

Mr H has also said Santander sent letters about the unarranged overdraft to his mother's address. The address Santander holds for Mr H is the same one that he's given us. And his contact preferences with Santander allowed for postal correspondence. So I think it was reasonable for Santander to have written to that address. And it's required by statute to send Mr H certain notices and statements while he's in arrears.

My final decision

For the reasons I've set out above, I've decided not to uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 November 2019.

Mike Walker
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