

complaint

Miss H is unhappy with the way Santander UK Plc has dealt with her requests to reduce the overdraft limit on her current account

background

In mid-September 2016 Santander sent Miss H her usual monthly statement for her current account. At, or around, the same time the bank also sent a letter which explained that, from 9 January 2017, she'd be charged differently for her overdraft. At that point Miss H had a £3,000 overdraft limit and was charged £1 a day for every day she was overdrawn between £12 and £3,000. But, from January, the charge would increase to £2 a day if the balance stood between £2,000 and £2,999.99.

Miss H decided to try and reduce what she owed Santander by £200 each month to make sure her authorised overdraft limit stood at £2,000 by the time the new charge came in, in January 2017.

She tried reducing the overdraft limit by £200 via internet banking but her request was refused. She spoke to the bank, visited one of its branches and, on 28 September 2016, the limit was reduced to £2,800. But the bank did this without giving Miss H sufficient notice and her account was already overdrawn by almost £2,950, so that left her without any money to pay for things unless she went further into an unauthorised overdraft.

Miss H complained to Santander about this straightaway. The bank apologised and paid £250 compensation into her account on 29 September 2016. The following day she also transferred in £2,900 which put the account slightly into credit.

But Miss H still couldn't reduce her overdraft limit via internet banking in the way she wanted. Santander said this was because of a technical glitch but also because when any customer applies to reduce their overdraft the bank treats it as a new request. So Santander reassessed Miss H's circumstances and this, along with its lending criteria, meant it was only willing to give her a very much lower overdraft limit.

Miss H wasn't happy with this and asked us to look into her complaint towards the end of November 2016. She said, in summary, that:

- Santander hadn't given her enough notice before changing the charges it applied to overdrawn balances.
- Santander should fix its systems so that all customers can reduce their overdraft limits via internet banking.
- Santander had made it extremely difficult for her to reduce what she owed them and she hadn't been able to gradually reduce her overdraft limit by £200 a month since September as she'd originally planned. She wanted to be compensated for this.
- Santander should refund the £36 unauthorised overdraft fee she was charged on 3 January 2017.

Our investigator asked Santander if it would be willing to reduce Miss H's overdraft limit to £2,000. The bank did so 13 days later on 19 December 2016 and told us this the following day. Miss H wasn't, ultimately, happy with this as a relatively large payment that was

pending came out of her account on 19 December and put it almost £2,800 overdrawn. That again left her without any money to pay for things (only a few days before Christmas) unless she went further into an unauthorised overdraft.

We intervened and the bank agreed on 22 December to put £800 into Miss H's account and leave it there until 31 January 2017. But she was still charged £18 in unauthorised overdraft fees for the three days the account balance was over the £2,000 agreed overdraft limit.

Miss H subsequently paid some lump sums into her account and the balance hasn't gone over the £2,000 overdraft limit since then.

I sent a provisional decision to Miss H and Santander last this month. I explained why I didn't agree with everything Miss H had said but also set out the two remaining things I thought the bank needed to do to finally put things right. I said, in summary, that:

- Santander gave Miss H enough notice that the way she'd be charged on her overdrawn balance would be changing. They didn't say she had to reduce what she owed and it was her decision to try and do so.
- I could see why Miss H found it frustrating that she couldn't reduce her overdraft limit by £200 each month via her online banking facility. But it's not unusual for banks to complete a full lending assessment when asked to change an existing overdraft limit. Santander says it did that in this case and Miss H's circumstances were such that it wasn't really willing to lend her anything like her current overdraft amount.
- Miss H didn't need to reduce her overdraft limit in order to avoid the new £2 daily charge. All she needed to do was make sure she was never overdrawn by more than £2,000. This was explained to her on more than one occasion. But her original aim was to reduce what she owed so she could reduce her overdraft limit to £2,000 by the time the new charging structure came in and the limit is now set at £2,000.
- Santander accepted it made a mistake when it reduced Miss H's overdraft limit from £3,000 to £2,800. And it paid her £250 compensation as a result. So I didn't think I needed to revisit that.
- Santander acted prematurely when it reduced Miss H's overdraft limit to £2,000 on 19 December. But I couldn't fairly tell the bank to increase the limit again and I thought it'd done quite a lot already to put right that mistake. It promptly loaned Miss H money (which it was entitled to take back) and also offered to waive any charges she'd incurred as a result of reducing the limit unexpectedly.
- Santander hadn't actually taken back the £800 it loaned Miss H despite it being agreed that this would happen on 31 January. And, around the time I issued my provisional decision, she was too close to the £2,000 overdraft limit for the bank to take the money back without putting her into an unauthorised overdraft. So Santander proposed that Miss H either move £800 into the account or she get in touch to arrange a repayment plan. I thought those were fair proposals.
- Santander hadn't actually waived the £18 overdraft usage fee Miss H incurred between 19 and 22 December 2016. This was charged to her account on 2 February 2017 and I said Santander should refund it.

- Miss H incurred a £36 overdraft usage fee incurred between 24 and 30 November 2016 which was charged to her account on 3 January 2017. Miss H said Santander should refund this, but I thought it was fairly charged given the way she'd operated her account.

Santander didn't add anything in response to my provisional decision but Miss H did. She said Santander loaned her the £800, not by giving her this amount of money but by increasing her overdraft limit back to £2,800. The bank then reduced the overdraft limit back to £2,000 at some point in late-January/early-February. That means the overdraft reduction, in effect, came out of her own funds as the money she'd paid in meant she was less than £2,000 overdrawn.

I didn't think that was right and explained again to Miss H what had happened on her account. Specifically that she still owed the bank £800. Her overdraft limit has stood at £2,000 since 19 December 2016 and the bank still isn't willing to increase it beyond that amount. So I said Miss H needed to make arrangements with the bank to pay this £800 back.

Miss H then said that she wasn't really happy when the £800 loan was put to her as a solution to put right the bank's mistake. But she accepted it because she was told she had no other option. She remains unhappy with the way Santander have handled things and communicated with her.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As I said in my provisional decision, I think it was wrong of Santander to reduce Miss H's credit limit to £2,000 without giving her any notice. But it's not for this service to tell a bank how much to lend one of its customers. So it wouldn't have been right to have told Santander it had to reinstate the £2,800 limit. In any event, the bank came up with an alternative solution which seemed fair. To loan Miss H £800 (the same amount it'd reduced her overdraft limit by) to give her some breathing space at Christmas and time to sort out how to keep her account balance within the new £2,000 credit limit.

As I said before, originally the loan was agreed for a period of four weeks. At some point this seems to have changed to 31 January 2017 (giving Miss H almost six weeks) and the bank didn't actually take the money back then either.

I can see that, towards the end of January 2017, Miss H had paid enough money into her account to put it more than £1,000 in credit. It seems likely, despite what she's said more recently, that she knew she'd have to pay this money back. And she put this extra money into her account following the discussions we'd had with her and anticipating the bank would take the money back on 31 January at the latest. Unfortunately that didn't happen and I can see Miss H moved £1,000 back out of the account on 9 February.

I don't think Miss H has been disadvantaged by the bank not taking the £800 back after four weeks or on 31 January. After all, that means she's had the use of that money for longer than expected. It also seems possible – given her previous account activity – that she may have money available in another account which she could move into her Santander account in order to cover this repayment. But, if that's not right, then Santander has said it can agree a

repayment plan with her. Again, that seems fair to me and I urge Miss H to get in touch with the bank to discuss this further.

I've considered everything Miss H has said in response to my provisional decision but, overall, I don't think any additional compensation is due given the steps the bank took after unexpectedly reducing her overdraft limit on 19 December. All that remains is for the bank to refund the £18 charge (if it hasn't already done so) and agree with Miss H how she's going to repay the £800.

my final decision

My final decision is that Santander UK Plc should:

- Refund the £18 charge applied to Miss H's account on 2 February 2017.
- Agree with Miss H how she is going to repay the £800 it lent her in December 2016.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 April 2017.

Ruth Hersey
ombudsman