

## The complaint

Mrs T complained that Santander UK Plc (“Santander”) irresponsibly granted her an overdraft, with the limit then increasing over time, that she couldn’t afford to repay.

## What happened

Mrs T has had overdraft arrangements on her current account from time to time since 2015. Our investigator established in discussion with Mrs T that her complaint relates to the overdraft facilities granted from November 2021 onwards – earlier overdraft limits were applied for short periods of time and Mrs T said she had no issues with these. Therefore the overdraft facilities which it was agreed that our investigator should look at, and which I am considering here, are as follows:

- 16 November 2021 - £500 (increased from £150)
- 27 December 2021 - £750
- 23 March 2022 - £950
- 28 March 2022 - £1,000
- 13 April 2022 - £1,200
- 19 April 2022 - £1,300
- 7 September 2022 – reduction to £800
- 22 November 2022 - £1,000
- 9 January 2023 – reduction to £850
- 8 March 2023 – £1,200
- 30 March 2023 - £1,350
- 17 July 2023 - £1,450

Mrs T thinks that Santander didn’t carry out the appropriate checks before granting the changes to the overdraft, and that it shouldn’t have granted them. She said that her account had remained in overdraft for a prolonged period, and it wasn’t affordable for her. And she said her financial problems had affected her mental health. She wants Santander to refund all interest and charges on the overdraft.

Mrs T complained about all this to Santander. But Santander said it wasn’t upholding her complaint. In its final response letter it said that it had carried out thorough checks each time the overdraft limit changed, and had seen no reason not to grant the new limits.

Mrs T then brought her complaint to this service. Our investigator looked into it, but didn’t think the complaint should be upheld. Mrs T didn’t agree, and asked for her complaint to be reviewed by an ombudsman.

I should say here that Mrs T has also complained about two personal loans granted by Santander. However these are the subject of a separate complaint, so my decision only relates to Mrs T's overdraft.

### **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided not to uphold Mrs T's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Santander completed reasonable and proportionate checks to satisfy itself that Mrs T would be able to manage the overdraft in a sustainable way.

Santander sent in a list of the transactions on Mrs T's account, along with a list of the fees and charges imposed, and computer records relating to Mrs T's account. Mrs T sent in some extracts from her credit file showing other loans and credit cards she'd taken out.

Santander said in its final response letter to Mrs T that it carried out thorough checks, which included completing a full credit check, as well as considering affordability using income and expenditure provided at the time of the application. It went on to say that the overdraft limit only increased when Mrs T was eligible for further lending, and there was no issue with her credit score and no concerns over affordability.

I can see from the list of transactions that Mrs T's income seems to have come from her employment and state benefits, the latter being for a consistent amount each month (and showing a slight increase over time). Although I don't have a copy of Mrs T's full credit history - and therefore I can't see her total borrowing - I *can* identify the monthly payments on her credit commitments from the list of transactions, along with the monthly payments relating to some living expenses, such as utilities and insurance.

Our investigator considered the changes to Mrs T's overdraft limit in groups, as some of these changes were quite close together. I agree with this approach so have considered them in the same way.

#### *November and December 2021 – two increases up to £750*

Having looked at the evidence from this period, I can see that Mrs T's bank account was in credit for a good part of the time, and when in overdraft she was not utilising all of the limit. The list of transactions shows her total household income as being just over £2,000 each month. I've identified monthly payments to lenders totalling around £740, and from what Mrs T has said, this includes mortgage costs. Direct debits for utilities and insurance come to around £270. This leaves about £1,000 each month to cover other living costs. There are a number of transactions that look like discretionary spending.

I can't see anything to suggest that Mrs T was in any financial difficulties at this point, or that should reasonably have prompted Santander to make more detailed enquiries than it did. So

I'm satisfied that Santander carried out reasonable and proportionate checks and that it acted fairly in granting the overdraft increases.

March and April 2022 – four increases up to £1,300

There were four increases in the overdraft limit in the space of a month – going up to £1,300. I appreciate that Mrs T is concerned that increases were approved in such a short space of time. However it is often the case that a business will allow borrowing up to a certain limit depending on the consumer's circumstances, and if the consumer does not apply for the full amount initially, the business will allow increases to be approved even if within a short space of time. I think that is likely here.

From the list of transactions I can see that Mrs T had increased her borrowing from other lenders – it looks as though there was an additional secured loan in place. So the monthly payments on her lending had increased to around £870. Her income was broadly the same, as were the direct debits for insurance and utilities. So there was a little less each month for other living costs.

However, the account was in credit for part of the time and Mrs T didn't fully utilise the limit on a regular basis. Again there seems to be a number of discretionary transactions, and taking all this into account I think it was reasonable for Santander to agree the increases without more detailed inquiries. So I think it acted fairly in terms of the level of checks it carried out and also in granting the new overdraft limits.

September 2022 to January 2023 - a reduction to £850

Mrs T's overdraft reduced to £800 in September 2022, increased to £1,000 in November 2022 and then reduced to £850 in January 2023. I've no information to suggest that Santander required the reductions, so it seems that Mrs T requested them.

Whilst there was a small increase here, the net effect was to reduce Mrs T's overdraft limit to £850.

As before, the account was in credit for part of the time and Mrs T didn't fully utilise the limit on a regular basis. Again there seems to be a number of discretionary transactions.

Mrs T sent in information to show that, since the previous overdraft changes, she had taken out four personal loans and two credit cards, although from what I can see on the list of transactions, it looks as though the personal loans were to consolidate other debts, as some direct debits to other lenders stopped. Nonetheless, the amount paid out to lenders increased overall.

However, as Mrs T's overdraft was showing a downward trend, and I can see nothing in the list of transactions to suggest that Mrs T was struggling, I'm satisfied that Santander acted fairly in terms of carrying out proportionate checks and in granting the small increase in November 2022.

March to July 2023 – three increases to £1,450

Mrs T's overdraft limit went up to £1,200 and then £1,350 in March 2023, and finally £1,450 in July 2023.

Mrs T's monthly household income had increased to around £2,300 by this time. I've identified direct debits to lenders totalling around £1,130, and payments to utilities of around £420 each month. This left around £750 for other living costs.

As before, the account was in credit for part of the time, and the overdraft limit not always fully utilised. And I can see a number of what appear to be discretionary transactions. There are no indications from the information I have that Mrs T was in difficulty.

Based on all this, I think it was reasonable for Santander to agree the increases without more detailed inquiries. So again I think it acted fairly in terms of the level of checks it carried out and also in granting the new overdraft limits.

Mrs T also said that her account had remained in overdraft for a prolonged period. So I have looked at this point as well.

We would expect Santander to review her overdraft usage, at least annually, to ensure the overdraft remained suitable and was being used as intended.

As I have mentioned above, Ms T's account was not always in overdraft – it was in credit for part of the time, I can see that Santander wrote to Mrs T in April 2022, January 2023, and May 2023 as part of its review process. Given my conclusions about the overdraft limits as set out above, I don't think I can fairly say it should have done more.

In summary, for the reasons I've explained above, I don't consider Santander acted unfairly in granting the overdraft arrangements listed above. Nor do I consider it has acted unfairly in allowing the overdraft to remain in place, or in applying its charges in accordance with the terms and conditions. I am satisfied it carried out proportionate checks before granting the overdraft increases, and that it had no reason to think that Mrs T would be unable to manage the overdraft on a sustainable basis. So I don't uphold Mrs T's complaint.

Mrs T has since encountered financial difficulties, and in October 2023, Santander referred Mrs T's account to its financial support team so as to make contact and arrange a suitable plan. I understand that Mrs T has had some very difficult personal issues which I will not detail here, other than to say that I appreciate how challenging the situation must have been. Businesses are required to treat customers in difficulties with forbearance and due consideration, and the information I have suggests that Santander is doing so.

### **My final decision**

For the reasons set out above, I have decided not to uphold Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 26 July 2024.

Jan Ferrari  
**Ombudsman**