

The complaint

Mr H complains about his overdraft with Santander UK Plc, and about his account being defaulted.

What happened

Mr H had a student current account with Santander. On graduation, this kind of account is automatically converted into another kind, the graduate account. However, Mr H extended his studies by a year, so he went to a branch of Santander to tell them and to arrange for his student account to continue for another year. The branch failed to carry out his instructions, and so his account was converted to a graduate account in 2021, instead of 2022 as he'd asked. This resulted in Mr H being charged about £115 in overdraft interest and fees which he would not have been charged on a student account.

Mr H complained to Santander about that, and also about its decision to withdraw his overdraft facility. Santander upheld the first part of his complaint and refunded the interest and fees. Santander also paid him a total of £260 compensation for his trouble. However, Santander stuck by its decision to withdraw his overdraft, and said that it had done that because his account had been overdrawn for too long. Later, Mr H's account was defaulted.

Being dissatisfied with the bank's response, Mr H brought this complaint to our service. But our investigator thought that Santander had already done enough to put things right. And she did not uphold his complaint about his overdraft being withdrawn. She said that Santander had assessed Mr H's income and expenditure in May 2023, and had found that he could not afford to reduce his overdraft balance. So she concluded that it had been entitled to withdraw that facility.

Mr H asked for an ombudsman to review his case. He told us that Santander's error had impacted his credit score, and will continue to affect it for the next five years. He argued that someone should have told him to put some money in his account to prevent it from defaulting. He pointed out that as a student graduating in the middle of a financial crisis, the impact on his credit rating will have severe consequences for him.

(On 14 June, Mr H asked for a deadline extension to 21 June, to make further representations. Nothing has been provided since then, and as it is now 28 June I have decided not to wait any longer to issue a decision.)

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.

Having done so, I do not uphold it. I will explain why.

It is not in dispute that Santander made an error in connection with Mr H's student account being converted into a graduate account too early. But I think that refunding the interest and fees which were charged as a result of that error, together with £260 compensation – more

than double the amount refunded – is a fair remedy (for the error itself, and for Mr H having to chase Santander to resolve it).

Turning to the default, I cannot agree that nobody told Mr H about the consequences of not paying money into his account. The default notice explained that, and Santander's final response letter dated 23 May 2023 reminded him of that before the deadline in the default notice had expired.

That was after the interest and charges had been refunded in March 2023. So I can't say that the default was the result of Santander's error.

Santander is obliged to report the default to the credit reference agencies. So there is no basis for me to tell Santander to remove it.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 July 2024.

Richard Wood
Ombudsman