

## **complaint**

Mr C says that Santander UK Plc (trading as Cahoot) acted unfairly when it increased the interest rate on his flexible loan. He also complains that the direct debit he set up to pay the loan was changed without his consent.

## **background**

Cahoot was launched in 2000 as the internet division of Abbey National plc, which became a subsidiary of Banco Santander in 2004. It is now the internet division of Santander UK plc. I shall refer to Mr C's lender simply as Cahoot in this decision.

Cahoot's flexible loan was introduced in 2001. Apart from being internet-based, it had one unusual feature. Rather than borrowing a set amount over a period of time and making regular payments, borrowers could choose a credit limit (subject of course to Cahoot's approval) and draw against it from time to time; subject to a monthly minimum payment, they could then repay part or all of what they had borrowed when they chose to do so, without incurring any repayment charge. And if they wanted to borrow more, the loan allowed them to do so – up to the credit limit. No new credit checks were needed. To that extent the loan operated a little like a credit card account, except that there was no card and no facility therefore to make retail purchases.

Cahoot closed the flexible loan to new business in August 2006, but continued to operate it for existing customers such as Mr C.

### *Mr C's circumstances – interest rate*

Mr C took out a Cahoot flexible loan in 2003. His interest rate was initially 9.57% and increased to 20% by 2008.

In early 2010 Cahoot wrote to Mr C (and other borrowers) to say that it was making changes to the loan. The effect was that he could not borrow any additional money, although he could still make payments in the same way and without penalty.

Our adjudicator said that Cahoot was acted within the terms and conditions of the loan agreement when it increased the interest rate on Mr C's loan. So she thought it was entitled to do this. Mr C doesn't dispute this, but he says he wasn't told about the interest rate changes. But our adjudicator thought that he was.

### *Mr C's circumstances – direct debit*

Mr C says that he'd agreed to pay Cahoot £250 each month to pay off the loan. And a direct debit was set up on that basis. But after Santander had taken over the running of the loan his direct debit changed. Instead of £250 being taken each month, the minimum payment was taken. He says he wasn't told about this, and he only realised what had happened recently when he questioned the interest rates that had been applied to his account. Santander accepts that this happened around the time it took over responsibility for the loan. It says it didn't realise what had happened until Mr C brought it to its attention. It sent Mr C a cheque for £100 for the inconvenience caused. But Mr C hasn't accepted this.

Our adjudicator thought that the £100 was fair and reasonable as she didn't think that Mr C was financially disadvantaged by what happened. She said that because the amount collected from March 2010 onwards was close to £250. And she thought Cahoot could reasonably expect Mr C to check his account from time to time. If he'd done this, it would've been clear from the information he received that the direct debit amount had changed. Mr C disagreed with the adjudicator and asked for his complaint to be reviewed.

### **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 also think that Cahoot should pay Mr C £100.

#### *notification of changes to the interest rate*

Mr C says that he wasn't told about the changes to the interest rate on his account. But like the adjudicator, I'm satisfied that Mr C was given notice of the interest rate changes. I say this because Santander has provided me with information to show that the information about all of the rate changes was sent to him through its secure online messaging facility and email. It has also provided me with information to show when Mr C was logged on to its system. And it has provided me with evidence to show that he contacted it in May 2007 to complain about the interest rate increases.

#### *direct debit*

Mr C says he had an agreement with Cahoot to pay £250 each month towards what he owed. This was paid by direct debit. So when Santander took over the loan, it was required to continue with this agreement.

I can see that what Mr C paid each month changed in November 2009. That was before Santander took over the running of the account. From November 2009 until March 2010 he paid slightly more than £250 each month. And after this he paid less. In May 2010 (6 months after the change) he paid around £243. So the effect of the changes on him in this six month period was small.

I think Santander could reasonably expect him to notice what had happened within six months of the change, and tell it if he thought it had made a mistake. As Mr C didn't complain about the matter until recently, it didn't realise what had happened either. And it wouldn't have known that Mr C wasn't happy to only make the minimum payment each month.

I appreciate that Mr C says that his partner managed his finances at the time. But that doesn't mean that Santander couldn't expect him (or his partner on his behalf) to look at his statements, and contact it if he was unhappy with the running of his account.

Taking the matter as a whole, I think Santander's offer of £100 for the inconvenience caused is fair and reasonable. This reflects the impact of the direct debit issue on him.

**my final decision**

My final decision is that Santander UK Plc (trading as Cahoot) should pay Mr C £100 to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 July 2015.

Laura Forster  
**ombudsman**