

## CURRENT ACCOUNT

# Overdraft Repeat Use – Customer FAQ's

## Why have you contacted me about this and why now?

The Financial Conduct Authority (FCA) has carried out a study looking at how consumers use their overdrafts and whether they're working as well as they should. As a result, overdraft providers are taking a series of steps, including providing support to customers where their pattern of overdraft use may result in high avoidable costs.

## What do you mean by 'Overdraft Repeat Use'?

It's when, over a period of 3 months, you've used your overdraft for more than 50% of the time. It's a description used by the FCA and they've introduced some rules and guidance - so you might notice overdraft providers referring to it more frequently.

## Why has the FCA introduced rules about Overdraft Repeat Use?

The FCA was concerned that some customers might be using the overdraft over a long period of time, which may be resulting in high avoidable costs. Overdrafts are meant for short-term borrowing, and usually have a higher rate of interest than other borrowing products that are intended for long-term borrowing.

## What's the purpose of the letter you've sent me?

The FCA rules mean we have to take a series of steps when you're in Repeat Use, to support you and help you save money. When we first contact you to tell you you're using the overdraft repeatedly, it's to explain that your pattern of overdraft use may be resulting in high avoidable costs. As a general rule, the longer you use your overdraft the more it will cost overall. By reducing overdraft use, you could save money. We're also providing information to help you review your monthly commitments and where you can get support if you need it.

## How many of these letters will I receive?

Usually three, but we may contact you at other times too. When we first contact you to tell you you're in Repeat Use, it's to explain that your pattern of overdraft use may be resulting in high avoidable costs. At this stage, we're also providing information to help you review your monthly commitments and where you can get support if you need it.

We contact you again after 6 months to tell you how you're getting on. This is an opportunity to take another look at how you are using your overdraft and make sure it's enough to get you out of Repeat Use in another six months. This is important because, if you stay in Repeat Use, we may have to take further action which could include suspending/reducing your overdraft limit. If you're already on track, we'll let you know.

We contact you after a further 6 months (12 months from step 1) to let you know whether you're still in Repeat Use. If you've made changes to your pattern of overdraft use and reduced the use since we first wrote to you - you'll come out of Repeat Use.

If not, we offer ways for you to reduce the use of your overdraft, over a reasonable period. If you don't choose one of these options, we may have to suspend/reduce your overdraft limit - so it's important to take action before this point.

## Why it does matter if I'm in Overdraft Repeat Use?

Overdrafts offer a lot of flexibility to decide how you want to use and repay your balance, which is a feature lots of customers' value. But overdrafts aren't really intended for long-term borrowing, and using overdrafts repeatedly may not be a cost-effective way to borrow. It's important to remember that using overdrafts repeatedly over a long period of time may mean it takes you longer to clear your outstanding balance and costs you more in the long run

## Why are you writing to some customers about this but not others? My friend/family member has an overdraft facility with you but hasn't received a letter about this.

We're only writing to customers who are in categorized as in Repeat Use. It may be that your friend/family member hasn't used their overdraft facility repeatedly. If they're in a similar situation, then we'll write to them at the appropriate time

## Does this mean that customers who aren't in Repeat Use aren't entitled to any support?

A lot of the information we're providing could be useful, whether you're in Repeat Use or not. For example, any overdraft user can benefit from reviewing their pattern of use and what they pay as interest. Also, they can ask for support for financial concerns. However, the FCA has focused particularly on customers who may have been using overdrafts repeatedly, incurring high avoidable charges.

## I've kept my Overdraft within my overdraft limit - so I haven't done anything wrong?

Under your overdraft agreement, you have to pay the interest on a monthly basis. So if you've done this and stayed within your arranged overdraft limit, then you haven't done anything wrong. We're encouraging you to review and reduce your overdraft use, as you may be incurring high avoidable cost. Intent of an overdraft is for short term borrowing only and longer term use may not be the most cost effective option for you.

## What is the best way to reduce repeated use of my overdraft(s)?

There are different ways to reduce repeated overdraft use, so you can work out what's best for you

- You can start by reviewing your monthly commitments and expenditures, and stop or reduce unwanted expenditures.
- You might want to use the budget planner which is available on our website <https://bank.marksandspencer.com/explore/financial-management/>
- You might consider funding your overdraft account by transferring funds in from any other accounts you may have.
- You might want to reconsider other borrowing options to meet your long-term borrowing needs that may help you to reduce your monthly interest.

- Please refer our website <https://bank.marksandspencer.com/explore/financial-management/> for more information on managing money.
- Even just reducing the overdraft use by few days, or small amount of money, than you are using it currently, can make a difference in the long run. As long as you keep an eye on what you're paying as you might need to adjust this if you spend more using your overdraft.

#### **What happens if I carry on paying the interest, and don't reduce the overdraft usage?**

We're encouraging you to reduce your use, if you can afford to. If we've told you you're in Repeat Use and you don't reduce your overdraft use, we may need to take further steps which could include suspending/reducing your limit to protect you from getting into further debt. Should this happen will keep you informed, well in advance so that you can make alternate arrangements.

#### **What if I think I won't be able to reduce my overdraft use?**

In case you feel you are not in a position to reduce the usage of the overdraft, we advise you to take a look at our website <https://bank.marksandspencer.com/explore/financial-management/> where we have provided tools and options that can help you to reduce the overdraft usage. You can also reach out to the external debt service agencies

You can call us on 0345 900 0900 and speak to someone to discuss your options

#### **You're already aware that I'm struggling to pay monthly interest - why are you asking for more?**

If you've already contacted us to discuss your circumstances, or you're already on a repayment plan, we'll continue to work with you. We're not asking you to pay more if you can't afford to, although we still need to make you aware of what could happen if you use your overdraft(s) repeatedly over a long period of time.

#### **Where can I get help if I'm worried about my finances?**

- You can find help online at: <https://bank.marksandspencer.com/explore/financial-management/>
- You can also contact Step Change Debt Charity on 0800 138 1111 or visit their website at [www.stepchange.org](http://www.stepchange.org); or
- Citizens Advice - the contact details of nearest office are available from their website:
  - (England and Wales: [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk))
  - Scotland: [www.cas.org.uk](http://www.cas.org.uk)), your local telephone directory or library
- You can call us on 0345 900 0900 24/7 to discuss your account

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