

The complaint

Miss S has complained that Santander UK Plc (Santander) acted irresponsibly when it provided her with three loans between 2012-2014.

Background

Miss S applied for, and was granted, three loans from Santander in 2012, 2013 and 2014. She has said that all three loans were unaffordable and at the time of each of the applications she was already in significant financial debt with other lenders as well as family members. In addition to this Miss S said that she was gambling very heavily at the time in the hopes of winning enough money to clear her existing debt. Unfortunately, the gambling only served to worsen her financial situation rather than improve it.

Miss S has explained that while she was able to repay the first two loans, the final loan taken in 2014, eventually fell into arrears and this has caused her considerable distress as it impacted her credit file negatively and has made it very difficult for her to secure a mortgage on a property for her and her children.

Santander has said that due to the passage of time it has limited information relating to the checks that it would've carried out before providing Miss S with the loans. It has explained that as both the loans from 2012 and 2013 were repaid in full and on time, the accounts were subsequently closed and all linked paperwork deleted after six years had passed.

However, it was able to provide some limited information relating to the final loan in 2014, which it says indicates that at the time the lending was agreed, it ran all necessary checks to ensure it was affordable to Miss S. It has also said that given Miss S successfully repaid the first two loans in full there's no evidence to support they weren't affordable. In regard to the final loan, it believes it only became unaffordable some years into the term of the loan and as a result of a change in Miss S' personal circumstances. As such it doesn't believe it made any error when it agreed to provide Miss S with any of the loans in dispute.

Miss S disagreed with Santander's findings and brought her complaint to our service.

One of our investigators looked into Miss S' complaint already. She found that at the time of each of the individual loans, there was sufficient evidence in Miss S' bank statements to show that the lending would likely be unsustainable. She said this because she found that from the first loan in 2012 to the final loan in 2014 Miss S was gambling excessively, and in some months was spending up over 90% of her monthly income on gambling websites. As such, our investigator found that Santander shouldn't have provided Miss S with any of the loans and upheld her complaint.

Santander disagreed with our investigator's findings. It said that there was insufficient evidence available to say that either of the first two loans were unaffordable. It repeated that as the loans had been repaid in full and on time there was no evidence to show they were unsustainable at the point of application. In relation to the final loan, Santander referenced conversations its staff had with Miss S when the accounts went into arrears. It said during these conversations Miss S said the arrears were due to a misunderstanding between her

and her ex-partner, whom she believed was maintaining the loan repayments, and that she never gave any indication that she was experiencing financial difficulties.

Therefore, Santander said it was unreasonable for the investigator to uphold Miss S' complaint and asked for an ombudsman to review it afresh. So, the case was passed to me to consider.

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'm in agreement with the findings reached by our investigator and believe Santander made an error when it agreed to provide Miss S with the three loans. I've set out my explanation below.

Santander has confirmed that Miss S applied for all three loans online and didn't engage with a staff member at any point during the application process. As such it believes the onus was on Miss S to disclose all relevant information regarding her personal finances at the time, including any existing debt she owed other creditors or family members. While it has been unable to provide information of the specifics checks that were done, or the information provided by Miss S when she applied for the first two loans, it has provided some basic information in relating to Miss S' declared income and outgoings at the time of the final loan. Along with this it has said that as a lender it has always followed the necessary regulatory guidelines and checking processes and therefore, despite the lack of information available, it is satisfied it would've lent responsibly at all times.

Miss S has provided us with some information about her personal circumstances at the time, including her bank statements and the fact that she was borrowing money from both payday lenders and family members at the time of all three loans. This is evidenced in her bank statements which not only confirm she was repaying other creditors at the time and had standing orders for various family members, but also a very high amount of daily online gambling activity.

In the two months preceding the initial loan taken in September 2012, which was for £5,000 due to be repaid over 36 months, Miss S gambled over 90% of her monthly income. Santander have said that it's the responsibility of the individual to provide all necessary and relevant information at the point they apply for a loan. While I agree it is important that consumers provide adequate and honest information to potential lenders, there is also an obligation on lenders to ensure that the information they've been given is accurate. I think if Santander had run sufficient checks at this point in time the fact that Miss S was already spending beyond her means would've been apparent. And while I appreciate that Miss S did repay the loan on time and in full, she has explained this was only possible by continuing to borrow from other sources, so I'm not convinced that it can be interpreted as a sign that the lending decision was a reasonable one.

Miss S then applied for a second loan in May 2013, borrowing £1,500 over 12 months, only eight months after taking out the first loan and while it was still running. This resulted in her making two monthly repayments to Santander for two different loans. Looking at her bank statements it's clear she was still repaying existing debt with family members, as well lenders other than Santander, and while her gambling had decreased, she was still spending approximately 50% of her monthly net pay on gambling websites. So, taking all of the above into consideration, I don't think Santander should've provided the second loan to Miss S either. And again, while I do understand that the loan was repaid in full, this doesn't automatically mean it was affordable or reasonable for Santander to have provided it.

Especially if those repayments were only made because Miss S continued to increase her indebtedness elsewhere.

The final loan taken in May 2014, was for £12,000 over 60 months and was taken out only a few weeks after Miss S finished repaying the second loan, and while the first loan was still being repaid. Looking at Miss S' statements from this time it is clear she was still repaying other lenders and family members for existing debt she held elsewhere, and she was still spending approximately half her monthly income on gambling. Unfortunately, Miss S ended up in arrears on this loan and was unable to repay it as expected. Santander have said Miss S told them the arrears happened because she thought her ex-partner was making payments when he wasn't. As such it doesn't believe the arrears were the result of the loan being unaffordable but rather due to a breakdown in communication between Miss S and her ex-partner. However, I believe it would've been apparent to Santander that Miss S would struggle to meet these repayments if it had done sufficient checks when she applied for the loan in May 2014. So, I don't think the lending decision it made was appropriate as I don't think the loan repayments were likely to be sustainable given Miss S' existing indebtedness and excessive gambling.

Therefore, for the reasons set out above I don't think Santander should've provided Miss S with any of the loans and I am upholding her complaint.

Putting things right

In order to put things right for Miss S Santander UK plc should:

1. refund all the interest and charges Miss S has paid to date.
2. If the borrowing is still in place, Santander should reduce the outstanding capital balance by the amount calculated at Step 1.
3. If, after Step 2, there remains an outstanding capital balance, Santander should ensure that it isn't subject to any historic or future interest and/or charges. But if Step 2 leads to a positive balance, the amount in question should be given back to Miss S and 8% simple interest* should be added to the surplus.
4. Santander should remove any adverse information recorded on Miss S's credit file as a result of the interest and charges.

However, to be clear, Miss S still needs to repay the proceeds of the unaffordable borrowing. But Santander should ensure that any ongoing repayments are set at a level that is affordable for her given her current financial circumstances.

*HM Revenue & Customs may require the business to take off tax from this interest. The business must give the consumer a certificate showing how much tax it's taken off if they ask for one.

My final decision

For the reasons set out above I uphold Miss S' complaint against Santander UK plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 April 2022.

Karen Hanlon
Ombudsman