

The complaint

Mr K is unhappy that Santander UK Plc (“Santander”) approved an overdraft for him without adequately considering previous adverse information on his credit file.

What happened

One of our adjudicators looked into Mr K’s concerns and didn’t think Santander had done anything wrong or treated Mr K unfairly. Mr K, disagreed he says the overdraft was unaffordable and as he already had adverse information on his credit file he should never been given the facility in the first place. So the complaint was passed to an ombudsman for a final 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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Mr K’s complaint. Having considered everything provided, I’ve decided not to uphold Mr K’s complaint. I’ll explain why in a little more detail.

Santander needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Santander needed to carry out proportionate checks to be able to understand whether Mr K would be able to repay what he was being lent before providing any credit to him. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

I’ve kept all of this in mind when thinking about whether Santander did what it needed to before agreeing to Mr K’s overdraft. Mr K was given what was an open-ended credit facility. So overall this means the checks Santander carried out had to provide enough for it to be able to understand whether Mr K would be able to repay his overdraft within a reasonable period of time.

When Santander approved Mr K’s overdraft facility with a limit of £500 in February 2020 Mr K had already held an account with it for a number of years. Santander says it carried out an automated credit check as part of its determinations and that Mr K’s credit file would’ve been one of the factors considered but wasn’t the sole determining factor. Other factors taken into consideration were Mr K’s account management with it along with incomings and outgoings

from the account. And based on this information Santander was satisfied Mr K's score was high enough to provide him with the overdraft facility he requested.

I accept that Mr K's credit report may have shown up some adverse information, but having viewed the statements of Mr K's account with Santander over the previous four years I can see that he had managed his account with it well, and the regular credits coming in were at a level where the granting of an overdraft facility of £500 wasn't unsustainable. So on balance, given the conduct of Mr K's account with it and that the amount of credit being advanced was relatively low, I think Santander was reasonably entitled to rely on the credit check it carried out and I don't think that it was unreasonable for it to conclude Mr K would be able to repay the overdraft within a reasonable period of time.

I'd also expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly. Unfortunately, the granting of Mr K's overdraft facility coincided with the pandemic and Mr K has told us - like many - it impacted on his livelihood negatively. I can see when the overdraft was granted Mr K almost immediately hit his limit by transferring the funds to another account and then by the end of March 2020 had exceeded his limit.

I can also see that Santander took action within the 3 month review period and although it charged around £33 for the initial use of the facility, as soon as Mr K went over his limit it took corrective action and refunded fees and didn't charge anything further and wrote to Mr K at the address he had provided it about his account and offered assistance. But as there was no response it followed its process for defaulting and closing the account.

So I'm satisfied Santander continued to assess the credit Mr K had with it appropriately and took reasonable steps to assist Mr K when on review it appeared Mr K was unable to pay the overdraft back.

This means that I don't agree Santander provided Mr K's with an overdraft facility unfairly or irresponsibly.

I appreciate that this will be very disappointing for Mr K – especially as he's been waiting some time for this answer. But I hope he'll understand the reasons for my decision and that he'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 April 2022.

Caroline Davies
Ombudsman