

The complaint

Ms A complains that Santander UK Plc (“Santander”) irresponsibly lent to her.

What happened

Ms A applied for a loan online with Santander in February 2020, which was eventually taken out in April 2020. The loan was for £7,600 over a term of 48 months. The purpose of the loan was recorded as debt consolidation and her monthly repayments were around £241. Ms A says at the time she was earning around £1,250 per month and was already struggling to pay her current account overdraft on two other bank accounts, along with payday loans from other lenders.

Ms A says that if checks were made thoroughly, Santander should have known that she could not afford to pay her loan. She says, among other things, that her repeated use of loans and credit was an indicator that she could not afford the loan.

Ms A says that she would like a refund of all interest and charges she paid on the loan and so complained to Santander.

Santander responded saying they believe the loan was affordable for the wages Ms A submitted. They say Ms A said her income was £1,368 and her outgoings were £725, leaving her with a surplus of £643. They say, as the monthly instalment for the loan taken out was £241.27, the loan was affordable for Ms A.

Ms A, unhappy with Santander’s response, referred her complaint to our service. Our investigator found that Santander didn’t need to do anything further. He explained that following credit checks that Santander had completed, they tried to gain a better understanding of Ms A’s income and expenditure. He said that Santander’s credit checks showed outstanding credit balances of around £5,000 and they hadn’t acted unreasonably in relying on this information. He also said that he was satisfied that the checks completed were proportionate and the loan was affordable.

Ms A disagreed with our investigator’s view. She says the sum owing to creditors at the time the loan was approved was over £10,000. She also says she used money from the loan taken out with Santander to pay off her existing debt and money owing to her family. This complaint has now passed to me to decide on.

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’m not upholding this complaint and I’ll explain why below.

We’ve set out our approach to unaffordable/irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. I’ve considered this approach while deciding Ms A’s complaint.

Santander needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to satisfy itself that Ms A could afford to repay the amount it was lending. A proportionate check is dependent on a number of factors including – but not limited to – Ms A's particular circumstances (e.g. her financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit obtained.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay. I've carefully thought about what this means for Ms A's case.

In this case, Santander provided Ms A with a loan for £7,600 in April 2020. This loan had an APR of 24.9% and the total amount repayable of around £11,580 was due to be repaid in 48 monthly instalments of around £241.

Santander says they agreed Ms A's loan after she provided details of her monthly income and expenditure. They say they cross-checked this against information on a credit search they carried out on Ms A and from payslips Ms A provided. All of this showed that Ms A would be able to make the repayments she was committing to. On the other hand, Ms A says Santander should have known that she could not afford to pay her loan if they had completed their checks correctly.

I've carefully thought about what Ms A and Santander have said.

Santander has provided me with their records of the loan application as well as the checks they completed. Having reviewed the online application which was submitted, I can see Ms A's monthly salary recorded as £1,368, which is broadly similar to the income on Ms A's payslips around the time the loan was taken out. Santander say that as her income was validated from her payslips, the underwriter agreed to the personal loan being taken out. This suggests to me that Santander didn't just rely on what they were told as they asked Ms A to provide details of her income.

Bearing in mind the loan being taken out was to consolidate debt, and the credit search not showing anything too alarming, I don't think it was unreasonable for Santander to rely on the payments being affordable as, on the face of things, they did appear to be. Ms A believes her outstanding credit was much higher than the outstanding balance of around £5,000 that her credit checks shown at the time. But the checks I have seen show outstanding credit of around £5,000 and so, I don't think it was unreasonable for Santander to have relied on this information.

Santander say that Ms A provided details of her expenditure in her application. And from the figures given and some estimated, alongside the monthly repayment on the loan of around £241, Santander say the affordability ratio they relied upon was within an acceptable threshold to be approved. I can see the expenditure considered was around £970 and this appeared reasonable given what Ms A had told them.

I accept that it is possible Ms A's actual circumstances aren't reflected in the information gathered and that she feels the loan was unaffordable. It's also possible that Santander might have decided that Ms A wouldn't have been able to repay if they had considered her

bank statements. But Santander could only make their decision on the information they had available to them at the time.

It's only fair and reasonable for me to uphold this complaint in circumstances a lender did something wrong. And, in this case, I don't think Santander did anything wrong in deciding to lend to Ms A.

So overall and having considered everything, I don't think that Santander treated Ms A unfairly or unreasonably when providing her with this loan. And as this is the case, I'm not upholding Ms A's complaint. I appreciate this will be very disappointing for Ms A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 26 July 2022.

Ronesh Amin
Ombudsman