

## **The complaint**

Mrs M says Santander UK Plc irresponsibly lent to her.

## **What happened**

Mrs M's complaint is about a credit card supplied by Santander. The account was opened in November 2012 with an initial credit limit of £7500. No further credit limit increases were applied.

Mrs M complains that Santander lent irresponsibly to her.

Our adjudicator upheld the complaint. He didn't think that the checks carried out by Santander were reasonable and proportionate.

Santander didn't agree with the adjudicator. It said that a change in Mrs M's financial circumstances after she took out the credit card wasn't a reason to say that it had lent irresponsibly.

The complaint has been passed to me 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.

The general approach to complaints about unaffordable and irresponsible lending, including the key relevant rules, guidance and good industry practice, is set out on this service's website.

Santander needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should've carried out proportionate checks to make sure Mrs M could afford to repay what was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount and the customer's income and expenditure.

Santander didn't provide its file in response to requests from this service. In its final response to Mrs M, it said that affordability had been checked in accordance with its lending policies and that it didn't think it had lent irresponsibly.

I've taken what Santander has said into account. And I've considered all of the available information, including the information provided by Mrs M which shows her financial circumstances at the time she applied for the credit card.

I don't know what checks Santander carried out before agreeing to lend to Mrs M. The initial credit limit was £7500, which is a significant amount of credit, so I'd expect the checks which Santander carried out to have been thorough.

I can see that Mrs M held a current account with Santander at the time she applied for the

credit card. I'd expect Santander to have looked at this account as part of its checks. The current account had an overdraft facility, which Mrs M was making use of. In addition to this, Mrs M also had a joint account with another bank on which over £10,000 was owed. I think this joint account liability would have shown up if Santander had checked Mrs M's credit file.

I've also seen that Mrs M was making monthly payments to a debt management plan at the time she applied for the credit card. These payments were being made from her Santander account. I think its reasonable to say that if it had carried out reasonable and proportionate checks, Santander would've seen that Mrs M was already having difficulties managing her finances.

I've also considered what Santander would've known about Mrs M's income and expenditure. Mrs M's monthly income at the time she applied for the credit card was around £1000. She already had an obligation to make payments to the debt management plan each month and was using her overdraft on the current account. Based on this, I don't think Mrs M was likely to be able to repay any further borrowing in a sustainable manner.

Taking everything into consideration, I think that if Santander had carried out reasonable and proportionate checks, these checks would've shown that Mrs M wasn't able to afford the borrowing.

### **Putting things right**

When I uphold a complaint, I would generally ask the business to put the consumer back in the position they would've been in if the mistake hadn't happened. This isn't possible here because Mrs M has used the credit and made repayments. So to put things right, I think Santander should refund interest and charges.

### **My final decision**

My final decision is that I uphold the complaint. Santander UK Plc must:

Rework the credit card balance so that all interest and charges applied from the inception of the account onwards are removed

If an outstanding balance remains after the rework, Santander must agree an affordable repayment plan with Mrs M

If no outstanding balance remains, any adverse information in relation to the agreement should be removed from Mrs M's credit file

If the refund means there is no outstanding balance, any balance should be treated as overpayments and returned to Mrs M together with 8% simple interest per year on the overpayments from the date they were made to the date of settlement

HMRC require Santander to deduct tax from the refund of interest. Santander must give Mrs M a certificate showing how much tax has been taken off if she asks for one

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 November 2022.

Emma Davy  
**Ombudsman**