

The complaint

Miss S complains that Santander Consumer (UK) Plc trading as Santander Consumer Finance irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In April 2017, Miss S acquired a used car financed by a conditional sale agreement from Santander Consumer Finance. Miss S made an advance payment of £500 and was required to make 48 monthly repayments of around £165 with a final payment of around £2,981. The total repayable under the agreement was around £11,423.

Miss S says that Santander Consumer Finance didn't complete adequate affordability checks. She says if it had, it would have seen the agreement wasn't affordable. Santander Consumer Finance didn't agree. It said that it carried out a thorough assessment which included credit and identity checks. It said the credit check didn't raise any concerns and Miss S had low monthly credit commitments. It says Miss S' application was auto accepted.

Our investigator didn't recommend the complaint be upheld. He thought Santander Consumer Finance didn't act unfairly or unreasonably by approving the finance agreement.

Miss S didn't agree and said that Santander Consumer Finance should have carried out checks on her income and expenditure and that it was aware she had just taken out a mortgage and so would have additional costs.

The case 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.

Santander Consumer Finance will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Santander Consumer Finance hasn't provided a copy of the credit check it completed but has noted that this didn't raise any concerns. I've looked at a copy of the credit file supplied by Miss S dated December 2022. This provides some information from the time of her application and as such gives an indication of what Santander Consumer Finance would likely have seen. Having looked at the report this supports the comments made by Santander Consumer Finance in regard to the credit information it received, and I do not find this raises concerns.

While the credit check didn't raise concerns, it is still reasonable given the size and term of the agreement that Santander Consumer Finance would have gathered information about

Miss S' income and expenses to ensure the repayments due under the agreement were affordable. I cannot see that this took place and so it didn't complete proportionate checks.

I think it would have been proportionate for Santander Consumer Finance to ask Miss S about her income and expenses. Had it done so it would have found her income at the time to have been around £1,300. I can't be certain what Miss S would have told Santander Consumer Finance had it asked about her regular expenditure. I don't think Santander Consumer Finance needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Miss S' statements as an indication of what would most likely have been disclosed.

I've reviewed three months of bank statements prior to the application. These show that Miss S' regular committed monthly expenditure at the time was around £500. In calculating this figure, I've included costs such as other credit commitments, payments or communications contracts and other regular costs. At the time her income appeared to be around £1,300. Taking these figures into account, it appears to show the agreement was affordable to Miss S. I note Miss S' comment about her taking on a mortgage at the time and I appreciate the additional costs of this. But based on the information available at the time, I do not think that further checks would have suggested the repayments under the agreement were unaffordable.

For the reasons set out above, I'm not persuaded that Santander Consumer Finance acted unfairly in approving the finance.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 May 2023.

Jane Archer
Ombudsman