

The complaint

Miss G complains that Santander UK Plc's irresponsibly gave her a loan she couldn't afford.

What happened

I issued my provisional decision on 7 March 2023, and this is what I said:

I've considered the relevant information about this complaint.

Based on what I've seen so far, I intend to uphold it, so there will be a different outcome to what our investigator proposed.

Before I issue my final decision, I wanted to give everyone a chance to reply.

I'll look at any more comments and evidence that I get by 21 March 2023. But unless the information changes my mind, my final decision is likely to be along the following lines.

The complaint

Miss G complains that Santander UK Plc's irresponsibly gave her a loan she couldn't afford.

What happened

In January 2020, Miss G called Santander as she thought she might be able to consolidate her debt by securing a £25000 loan with a 3% APR and a monthly repayment figure of £448 over 5 years.

When Miss G spoke to a Santander agent, she was offered a loan for the same amount and period but with a higher APR of 11.9%.

Miss G took out this loan but, in April 2022, she complained to Santander about irresponsible lending. Miss G said Santander should never have given her the loan as the high monthly payments have pushed her further into debt. Miss G explained she had to borrow more to be able to make the payments from her salary.

Miss G also complained that the APR wasn't the rate initially promoted and asked Santander to refund the interest and any charges paid. In addition, for Santander to pay interest and delete any negative information from her credit record.

Santander didn't agree. They said their agent had confirmed the APR and Miss G had agreed the loan was affordable. Also, they had relied on the income and expenditure details she had stated being factually correct.

Miss G complained to our service and our investigator's view was that Santander's lending decision was unfair. He said Miss G should only have to repay the money she borrowed and had the use of, and Santander should refund all of the interest and charges. Also, they should remove any negative information recorded on Miss G's credit file.

As Santander disagree this case has now been referred to me to look at.

*What I've provisionally 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 irresponsible lending including all the relevant rules, guidance, and good industry practice on our website.

I first looked at whether Santander completed reasonable and proportionate checks to satisfy itself that Miss G would be able to pay the loan in a sustainable way.

I found that Santander did complete checks to see if the loan was affordable. On the 17 January 2020 call, their agent asked Miss G for income and expenditure information and Santander completed verification checks before it approved the loan.

Miss G stated her net income was £3100, her outgoings were £2000 which included rent and all other expenditure. Also, regarding consolidation, when Miss G realised the APR would make the loan £547.26 per month (£99.29 per month higher than the promotion she saw), when accepting, she said her consolidated loans were £666 per month which "works out cheaper".

So, based on what Miss G told Santander about her income and expenditure, as well as her plans to use the loan to consolidate her existing credit (a loan and credit cards), the Santander representative calculated she would still have monthly disposable income of £552.74.

I think it was reasonable for the agent to be satisfied that Miss G had enough disposable income and could pay the loan off in a sustainable way. Although I can't see that Santander subsequently requested detailed information from Miss G on her income expenditure, I found that as part of their affordability assessment they considered credit reports and compared Miss G's stated expenditure with data reports. I think this was reasonable and although there was an anomaly, as Santander didn't have mortgage guarantor information, I'm satisfied with their creditor calculations and expenditure verification steps.

I then looked at Miss G's actual income and expenditure information and with the exception of her income, which was £271 less than the amount she stated, I couldn't see any significant difference to Santander's affordability assessment. So, I can't say that Santander have acted either unfairly or unreasonably here.

I considered whether Santander should've checked Miss G's income. However, I'm satisfied the figure was accepted in good faith and, even with this income anomaly, I found Miss G would've still had sufficient disposable income to afford the loan.

Finally, I considered Miss G's request to have a refund of the interest and any charges paid because the APR wasn't "the amount initially promoted when signing up".

From listening to the 17 January 2020 call, although Miss G did enquire about a lower APR of 3%, she said she wasn't sure she would be able to get this. In response Santander's agent stated that the APR may vary and, when he later offered a much higher APR of 11.9% which meant the loan was £99.29 per month higher than Miss G hoped for, she clearly accepted this. So, whilst I appreciate the lower APR would've made a big difference to Miss G's monthly outgoings, I'm satisfied Santander didn't make any error here.

Whilst I appreciate Miss G will be disappointed, when considering all the above, I'm satisfied Santander acted reasonably in performing the checks it did and that they made a fair

decision to lend. So, I'm not upholding this complaint.

My provisional decision

For the reasons set out above, it's my provisional decision not to uphold this complaint. I'll look at anything else anyone wants to give me – so long as I get it before 21 March 2023. Unless that information changes my mind, my final decision is likely to be as I've set out above.

I received a response from both parties.

Santander said they had nothing further to add.

Miss G responded with a number of points, including the following:

- She explained the hardship, distress and health issues that had been caused by her debt
- She stated that she *"was technically '£119 better off' a month after using the Santander loan to pay off my loan and other cards, but I was still in the same situation where I did not have enough money left from my salary to survive". Also, "Santander should have refused the loan on the basis that that £119 difference was not substantial enough for me not to have to rely on credit cards in order to live day to day. They should have carried out more due diligence, asking to see my pay slips in order to be sure my monthly income matched what they had on their systems"*.
- She feels Santander should've recognised *"a pattern of behaviour clearly laid out in my credit report"* and that they *"had an opportunity to stop this cycle but instead they used me as a way to generate over £7,000 of interest"*.
- She commented that *"people with an average to good credit rating are given extortionate rates rather than the advertised ones are testament to how they see people like me - everyday people struggling to survive - as an easy mark"*.
- She requested I look beyond the numbers provided by Santander to see the story behind them.

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.

I'll start by thanking Miss G for her response. Also, I would like to point out that whilst I have empathy for Miss G's situation, my role here is to be impartial – that is, to be objective and to be fair to both parties.

With regards to Miss G's income and her comments that Santander should have carried out more due diligence checks, as mentioned in my provisional decision, I think it was reasonable for Santander to accept the information supplied by Miss G in good faith. Also, even with the income anomaly, I found that Miss G would've still had sufficient disposable income to afford the loan.

Miss G says that she was relying on credit cards in order to live day to day. However, when she applied for the loan, she said it was affordable and that she had enough disposable income. Also, when accepting the higher APR, she said the loan was to consolidate her debts and would improve her financial position.

I looked again at all the information on file including the credit report and Santander's

affordability assessment and I remain satisfied that their checks and lending decision were proportionate and reasonable.

So, having considered everything again including Miss G's response, although I empathise with her difficult situation, I can't see that Santander acted unfairly here so I'm not asking them to take any further action.

My final decision

For the reasons given above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 24 April 2023.

Paul Douglas
Ombudsman