

The complaint

Mrs W Santander UK Plc (“Santander”) irresponsibly gave her a credit card account she couldn’t afford.

What happened

In August 2021, Mrs W applied for and was granted a credit card account with Santander with a credit limit of £6,600. There were no credit limit increases after that.

Mrs W complained to Santander saying that she shouldn’t have been given the account and that Santander ought to have made a better effort to understand her financial circumstances.

Our investigator didn’t recommend the complaint be upheld. Since Mrs W didn’t agree, the complaint has been passed to me to decide.

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 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.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

I’ll first look at the question of whether Santander completed reasonable and proportionate checks before granting Mrs W the card.

Mrs W’s complaint is that Santander provided her with a level of credit that was unaffordable and that this was something it should have been aware of. Santander has explained it carried out a credit check using a credit reference agency to work out what credit it was able to offer. It also relied on the information Mrs W had provided in her application. I’ve seen that Mrs W provided details about the income from her occupation on her application, which showed her as having an annual income of around £55,000 – which works out to take home pay of around £3,400 - as well as an additional household income from her partner. She also told Santander that her monthly outgoings were £500 for housing costs. Santander would also have been aware from its checks that Mrs W had a good credit history with no recent missed payments or adverse records on her credit file for other borrowing that she already had in place.

I think Santander gathered a reasonable amount of evidence and information from Mrs W about her ability to repay before deciding to lend. I say this especially in view of the clear credit check and that it was also aware of her existing current account history with Santander. However, just because it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

Santander would have known that Mrs W already had a £1,000 overdraft on her Santander current account that had been in place since November 2015. I think ongoing use of an overdraft can in some instances be a sign of financial difficulty. But it's not something that should necessarily be an automatic bar to further lending, especially in the context of borrowing being taken to reduce the burden of existing borrowing, as was the case here.

The checks would also have shown that Mrs W had recently taken on two new credit cards in addition to those she was already holding. She owed around £7,800 in credit at that point, including existing overdraft arrangements. I've seen that Mrs W was intending to use her new credit to pay off some of that borrowing. She was doing this by way of taking advantage of a balance transfer offer that Santander had made in connection with the card that, once accepted, offered 18 months of credit at 0%. So it seemed at the time that Mrs W was intending to reduce rather than add to her existing level of outstanding debt.

Mrs W also appeared to be in a position to her existing credit sustainably, leaving aside the benefit of the balance transfer promotional rate. I agree that, based on a sustainable 5% repayment rate this would cost around £390, leaving her with a good amount of disposable income each month. I've also thought about whether her overall level of credit, once she'd taken on the new card, could be sustainably repaid were she to use it all, notwithstanding using all her new credit for balance transfers from existing credit. On this 'worst case' basis, I estimate she would have to find around £1,300 each month to make sustainable repayments. From the checks carried out, this appears to be a level of repayment that Mrs W would be able to meet out of her income each month.

I'd also like to address the issue of gambling that Mrs W has told us about. She says that in the months leading up to the lending decision she spent a very substantial sum of money this way and thinks Santander ought to have been aware of this. I am concerned to learn of this issue and I've seen how this went on to contribute to the worsening of Mrs W's financial situation after she took out the card. I'm however satisfied that Santander knew the level of credit Mrs W had when she applied for the new card that this was factored in alongside her other committed expenditure. Mrs W appears to have been using her Santander current account in the main for transactions involving money coming in and money going out. So I wouldn't have expected it to carry out additional checks to see what Mrs W was spending her income and existing credit on.

It follows that, having looked carefully at all the available evidence and information – and that includes the points Mrs W has raised in response to our investigator's view – I don't think I've seen enough to show or suggest that Mrs W's card agreement with Santander was unaffordable. So I can't reasonably conclude that Santander ought to have known she might struggle to make the repayments. I'm therefore not persuaded that Santander acted unfairly in approving her for the card with the limit it gave her. It follows that I don't think it needs to do anything more to put things right.

Finally, given that Mrs W's financial difficulties are likely to be continuing, I would ask that Santander continues to use forbearance wherever possible in order to help Mrs W have the opportunity to reduce what she still owes Santander and agree an affordable repayment plan.

I am sorry that I'm not able to help Mrs W further on this occasion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 14 February 2024.

Michael Goldberg
Ombudsman