

Complaint

Mr S has complained about a personal loan Santander UK Plc (“Santander”) provided to him. He says that Santander lent to him even though it ought to have been apparent he would use the funds for gambling.

Background

Mr S has also separately complained about the adequacy of Santander’s measures to block gambling transactions on his current account. That complaint is being considered separately and this decision solely concerns Santander’s decision to provide Mr S with a loan.

Santander provided Mr S with a loan for £15,000.00 in April 2022.

Mr S’ loan had an APR of 2.8% and a term of 36 months. This meant that the total amount to be repaid of £15,647.76, which included interest, fees and charges of £647.76, was due to be repaid in 36 monthly instalments of £434.66.

One of our investigators reviewed what Mr S and Santander had told us. And she thought that Santander hadn’t done anything wrong or treated Mr S unfairly. So she didn’t recommend that Mr S’ complaint be upheld.

Mr S disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr S’ complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr S’ complaint. I’ll explain why in a little more detail.

Santander needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Santander needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of

it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Santander says it agreed to Mr S' application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mr S could afford to make the repayments he was committing to. And as Mr S said that he would use the funds from the loan for home improvements it didn't know and had no reason to believe that the funds would be used for gambling.

On the other hand, Mr S has said he should never have been provided with this loan because Santander ought to have realised that he'd use the funds for gambling.

I've carefully thought about what Mr S and Santander have said.

The first thing for me to say is that this wasn't simply a case of Santander accepting an over-optimistic declaration of monthly disposable income at face value. Santander's credit searches did show that Mr S had some existing debts. But it's fair to say that these weren't excessive and that at the time of the application at least, they were being reasonably managed. I appreciate that Mr S has disputed the amount he was deemed to be indebted by and in particular he's evidenced successfully applying for a number of other loans around the time of the application.

However, given the close proximity of those applications to this application, they didn't appear on the credit searches Santander carried out. And this appears to be reflected in the APR Mr S received for his loan. In my view, Mr S is likely to have had a different APR on his Santander loan – one significantly higher than 2.8% - had Santander been aware of all the other successful loan applications he had made.

I've also thought about what Mr S has said about Santander being aware that he had a gambling addiction as a result of previous complaints. He's provided a copy of an email addressed to Santander's executive communications team dated February 2022 – so approximately two months before he applied for this loan. This email does refer to Mr S having a chronic gambling addiction and querying transactions made to a casino. It also refers to a previous complaint, regarding gambling, made around two years previously.

Santander has said that while the copy of the email does appear to be correctly addressed, it has no record of receiving or responding to this email in February 2022. And the first reference it had to this email was when Mr S complained on 28 April 2022, which was after Mr S had already been provided with this loan. Santander has also provided its records on all the complaints it says that it has received from Mr S over the past six years. It maintains that it never received a complaint referencing chronic or problem gambling until after this loan was provided.

I've considered everything that has been provided. It's unclear why Mr S' February 2022 email wasn't received. Nonetheless, as it references a previous complaint regarding chronic gambling, I've looked through all of the previous complaint correspondence Santander has provided. And having reviewed this correspondence while I accept that Mr S has made a number of complaints over the year, these have concerned matters such as interest rates, what happened when he redeemed his mortgage and his credit card. And I haven't seen a complaint that references gambling prior to the February 2022 email that wasn't received.

We've also asked Mr S to provide the details of the complaint that's referred to in his February 2022 email. However, despite telling us he'd search for copies of correspondence and despite having been given sufficient time to do so, Mr S has not provided a copy of this

or anything else showing that a complaint regarding gambling has been made to Santander prior to the February 2022 email.

For the sake of completeness, it's also worth me pointing out that even if Mr S had complained about gambling in 2017, Mr S has also referred to having done this and made a complaint eight years ago too, as anything relating to problem gambling is likely to have constituted personal information, Santander is likely to have had to continue obtaining Mr S' permission that his gambling was a problem, on an ongoing basis, in order to continue recording such information on its records.

I have to make a decision based on the limited information that I have here. But, even if I did have enough to say that Mr S complained in 2017 or 2015, I wish to make it clear that I am not making this finding here, it is by no means certain that Santander would have been able to factor this into its decision making when deciding whether to lend to Mr S in April 2022.

In any event, and most importantly, having carefully considered the information presented before me, I'm satisfied that Santander's lending department was not actually aware of Mr S' gambling at the time it decided to lend to him. Indeed, notwithstanding the position in relation to previous complaints there was and remains no specific requirement within the rules to consider individual transactions at a granular level when deciding whether to lend to a prospective borrower.

Given what Santander's credit search showed, Mr S' income and the headline balance on his current account, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained. There didn't appear to be anything that was obviously inconsistent or difficult to explain and I've not seen enough here to be satisfied that the decision maker on Mr S' loan was aware of any problem gambling.

So I don't think reviewing Mr S' current account transaction history would have been proportionate here and Santander was reasonably entitled to believe that Mr S would use the proceeds of this loan for home improvements – he was a homeowner – as he committed to doing.

I accept that Mr S says he is experiencing difficulty making the payments. And I'm sorry to hear this. But it's only fair and reasonable for me to uphold a complaint in circumstances where a respondent firm did something wrong. Santander could only make a decision on the basis of the information it had.

Given the payments appeared here to be affordable and this was a first loan, I'm satisfied that Santander was not only reasonably entitled to believe that Mr S could make the payments, but also that it wouldn't be increasing Mr S' existing indebtedness in a way that was unsustainable or otherwise harmful. As this is the case, I don't think that Santander did anything wrong when deciding to lend to Mr S.

So overall I don't think that Santander treated Mr S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S as he clearly feels strongly about this matter. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 20 December 2023.

Jeshen Narayanan
Ombudsman