

The complaint

Mrs F says Santander UK Plc irresponsibly lent to her.

What happened

Mrs F took out a 48-month loan for £9,400 on 5 February 2019. The monthly repayments were £269.20 and the total repayable was £12,921.60. Mrs F says she was in a debt management plan at the time so the loan should not have been approved. Also, she complained to Santander about the irresponsible lending of her overdraft and it upheld that complaint. She missed payments on this loan and the debt has now been added to her debt management plan.

Santander says Mrs F's loan application passed its affordability checks and it had no concerns about her overall indebtedness when she applied.

Our investigator did not uphold Mrs F's complaint. He said Santander did not carry out proportionate checks as it did not verify Mrs F's income, but had it done so it could fairly have made the same lending decision.

Mrs F disagreed with this assessment and asked for an ombudsman's review. She said the fact she was in a debt management plan when she applied must have some bearing on the bank's lending decision. There were also gambling transactions on the current account that she held at Santander.

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mrs F's complaint.

Santander needed to take reasonable and proportionate steps to ensure that it didn't lend to Mrs F irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mrs F could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Mrs F's income and expenditure.

This means to decide this complaint I need to consider if Santander's checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did Santander act unfairly towards Mrs F in some other way.

I can see Santander asked for some information from Mrs F when she applied and it gathered other data from external sources. Mrs F declared a net monthly income of £1,482. It used national statistics to estimate her monthly outgoings (£450) and could see from her

credit file what her mortgage costs were (£169). It carried out a credit check to understand her existing unsecured credit commitments (£65) and credit history. It asked about the purpose of the loan which was debt consolidation. From these checks combined Santander concluded Mrs F would have disposable income of £798 and so could afford to sustainably repay this loan.

I agree with the investigator that Santander ought to have verified Mrs F's declared income given the value and term of the loan. But I can see from Mrs F's bank statements in the months prior to application that her declaration was accurate, if not slightly understated. It follows I think better checks would, fairly, not have changed the bank's decision.

There was nothing in the other information Santander had gathered that ought to have concerned it. The credit check showed Mrs F had a low level of unsecured debt at £2,536 and around £4,000 of mortgage debt - and this loan was to consolidate her debts. Her active credit was largely well-managed – there had been one missed payment in the last six months but that account was now up-to-date.

Mrs F argues she was in a debt management plan at the time and this must be considered. But this was not evident from the credit check Santander completed. I can see her plan started in 2012 so the related adverse information would have fallen off Mrs F's credit file by 2019. So Santander was not aware of her historical difficulties – given their informal nature debt management plans are not recorded publicly anywhere. I can see Mrs F paid the plan from her Santander current account but in the context of this application I would not say it would have been proportionate for the bank to review all her transactions at a line-item level. I would not reasonably have expected Santander to do this given the results of all its other checks. And this is the only way it would have been aware, unless Mrs F had opted to declare her full financial position.

Indeed Mrs F may have breached the terms of her plan by applying for new credit, but the bank would not be aware of this – only she would. Mrs F also flagged that there were gambling transactions on her account but they were not of such a value relative to her income that I think Santander ought to have declined her application for that reason.

It follows I do not think Santander was wrong to lend to Mrs F. I have not seen any evidence it acted unfairly towards Mrs F in some other way.

Mrs F referenced a separate complaint she made successfully to Santander about her overdraft. But we consider a complaint on its individual merits and I can only comment here on the lending decision for the loan.

My final decision

I am not upholding Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 16 January 2024.

Rebecca Connelley
Ombudsman