

Complaint

Mr M has complained about a personal loan Santander UK Plc (“Santander”) which he says it irresponsibly provided to him. He says the loan was unaffordable and so shouldn’t have been provided to him.

Background

Mr M has also complained about an overdraft that Santander provided to him on his current account. But we’ve looked at the overdraft complaint separately and issued him with an answer which he has accepted. And I want to be clear in stating that this decision only concerns whether Santander acted fairly and reasonably when providing Mr M with his loan.

Santander provided Mr M with a loan for £5,000.00 in January 2023. This loan had an APR of 16.9% and the total amount to be repaid of £7,250.40, which included interest fees and charges of £2,250.40, was due to be repaid in 60 monthly instalments of £120.84.

One of our investigators reviewed what Mr M and Santander had told us. And he didn’t think that that Santander acted unfairly when deciding to provide this loan to Mr M and so didn’t uphold the complaint.

Mr M disagreed with our investigator’s assessment and asked for an ombudsman to review the 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 M’s complaint.

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

Santander needed to take reasonable steps to ensure 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 M could afford to make his repayments 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 provide loans irresponsibly.

Santander says it approved Mr M's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information from credit reference agencies. In Santander's view all of the information it gathered showed that Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said he was already in struggling and couldn't afford this loan.

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

I appreciate that Mr M doesn't agree with this. But in my view Santander did obtain a reasonable amount of information before it decided to proceed with Mr M's application. And this information does appear to suggest that the loan repayments were affordable for Mr M. What is also key to me is that Mr M said that he was going to use this loan to consolidate his existing debts by repaying his overdraft.

Mr M does appear to have continued using his overdraft and Mr M appears to be suggesting that this complaint should be upheld because of this. But Santander could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr M would go on to continue using his overdraft.

So I'm satisfied that the proceeds of this loan could and should have been used to, at the very least, clear Mr M's overdraft. Additionally, as Mr M didn't have a history of obtaining funds from Santander and then failing to consolidate debts elsewhere in the way he committed to, Santander was reasonably entitled to believe that Mr M would be left in a better position as a result of this too.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Santander obtained. And as I've explained Mr M believes that Santander acted unfairly because it failed to remove his overdraft after providing him with this loan.

But given the circumstances (particularly the low monthly repayment in relation to Mr M's cross-checked salary), I'd expect Santander to have a reasonable idea of Mr M's income and committed non-discretionary spending, which it did have here as a result of the checks that it did carry out, rather than a complete review of Mr M's finances.

For the sake of completeness and with a view to providing Mr M with some reassurance, it may help for me to explain that as Mr M's overdraft complaint has already been partially upheld, he's now in the position he would be in had his overdraft not been in place at the time of this loan application.

So I don't think that Mr M's arguments in relation to him being allowed to continue using his overdraft remain relevant in the context of this loan complaint. And more importantly, I don't think that these arguments are a reason for this complaint being upheld.

Overall and having considered everything, I'm satisfied that Santander didn't treat Mr M unfairly or unreasonably when providing this loan to him. And I'm not upholding Mr M's complaint. I appreciate this is likely to be very disappointing for Mr M – especially bearing in mind what he's said about his other complaint. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 May 2024.

Jeshen Narayanan
Ombudsman