

The complaint

Mr D complains that Santander UK Plc (“Santander”) irresponsibly gave him a loan that he couldn’t afford.

What happened

In February 2022 Mr D applied for a loan with Santander. He was given a loan of £10,000 by way of a fixed sum loan agreement. Under the terms of the agreement, Mr D was required to make 60 monthly repayments of £278.71. The total repayable was £17,722.60.

Mr D has complained to Santander to say that the account shouldn’t have been opened for him because it wasn’t affordable and Santander should have realised this from its checks.

On 7 May 2024 I issued a provisional decision setting out why I wasn’t intending to uphold Mr D’s complaint.

In summary, I didn’t think Mr D’s complaint should be upheld because I was satisfied that Santander had completed reasonable and proportionate checks so as to demonstrate that Mr D would be able to repay the loan sustainably. I set out an extract below:

“Santander has explained that before agreeing to the loan, it relied principally on information that Mr D provided at the time of making his application to assess affordability. Santander accepted what Mr D told them about his income situation – saying he earned a net monthly income of £4,500. Mr D also said his monthly outgoings were £1,350. Using a credit reference agency to identify Mr D’s existing credit, Santander found that he was likely to be making repayments of £226 each month. I’ve also noted that Mr D had taken out a smaller loan with Santander in July 2021, albeit it was repaid within a few weeks.

Santander used this information to assess if the loan was likely to be affordable. But it also applied its own metrics to help it to establish the affordability of the loan. On that basis Santander thought Mr D was likely to have housing costs of £962, was spending £226 to repay credit on a Santander credit card and had a non-credit expenditure of £1,311. That all comes to £2,499, so the monthly repayments required under the agreement looked to be affordable given Mr D’s monthly income.

I’ve not seen any suggestion that Mr D had recent adverse markings on his credit file at the time – such as missed payments or an account default. So it seems that Mr D’s management of credit showed no recent history that might have raised concerns with Santander about his ability to repay the loan. I’ve noted that Mr D had a high credit limit on his credit card and he was accustomed to using a large amount of the available credit limit and then paying it back. I wouldn’t think activity of that kind was necessarily unusual given Mr D’s income and what looked to be a good level of disposable income being available to him each month.

From all the information it had available, Santander thought Mr D could afford to make the repayments he was committing to. I think Santander had little reason to make further

enquiries into Mr D's financial circumstances at that time, based on the information it was provided with by Mr D and also as a result of what it had obtained from its own checks. I think the available information about Mr D demonstrated that he was earning a relatively good income, was meeting his regular credit and non-credit obligations and appeared to have more than enough disposable income to be able to repay the loan on a sustainable basis.

All of this means that in the specific circumstances of this complaint, I don't think taking steps to find out more about Mr D's financial circumstances – for instance by requesting bank statements - would have been proportionate here. I say this having also seen that Mr D had successfully taken and repaid a loan with Santander relatively recently, paying it off within the cooling-off period. I therefore wouldn't conclude that Santander was put on notice of any reason not to agree the lending. It follows that I don't think Santander did anything wrong when deciding to lend to Mr D."

Santander didn't respond to my provisional decision or provide anything further for me to consider.

Mr D responded to my provisional decision by adding some extra context in light of what I said about his Santander credit card. He provided details from six months of statements leading up to when he applied for the loan. He suggested that the large number of transactions and the corresponding repayments each month were something that Santander ought to have looked into by carrying out further checks.

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'd like to thank Mr D for responding to my provisional decision. But having carefully considered what he's said as well as everything else provided from the outset, I'm still not upholding Mr D's complaint. I'll explain why.

Santander needed to make sure that it didn't lend to Mr D irresponsibly. It carried out what I thought – and still think – were proportionate checks before doing so. And based on the results of those checks, as well as applying its own metrics, it decided the loan was affordable. This was against a background of Mr D having a good credit history, which included his Santander credit card. Having noted that Mr D had a high credit limit which he was accustomed to using and then paying back, I didn't think that was necessarily unusual in light of Mr D's level of income and the disposable income available to him each month. I wasn't suggesting that I'd expect Santander to check that Mr D's income necessarily had to directly equate to his card spending and that this ought to have formed part of Santander's checks. My thinking was rather that the broad picture of Mr D's control of his spending and existing credit wasn't something that would be likely to have prompted concerns with Santander when it carried out its affordability assessment.

So I don't think it was necessary for Santander to carry out more checks in order for its actions to be reasonable and proportionate. The main issue for Santander would be whether the new lending looked to be affordable. And from all the information it had available, Santander thought it was.

It follows that, in the specific circumstances of this complaint, I don't think Santander's enquiries needed to go further than they did.

I appreciate that Mr D will once again be disappointed by my finding – especially as he was initially told by our investigator that his complaint should be successful. 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 given I've explained above and in my provisional decision of 7 May 2024, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 June 2024.

Michael Goldberg
Ombudsman