

The complaint

Mr T complains that Santander UK Plc (“Santander”) declined his request for a £350 overdraft. He says being declined has meant he’s been unable to pay his rent.

What happened

In May 2024, Mr T applied for a £350 overdraft with Santander. He told us that he needed this facility to pay for his rent, and not having access to money was putting him at risk of homelessness.

Santander declined the application. They’d reviewed the data within Mr T’s credit file, as well as how he’d previously managed the account he held with them, and they felt lending to him would be irresponsible.

Mr T appealed this decision, and Santander asked for someone to manually review things. Mr T said it was at this point he was told Santander would review it from a ‘human aspect’, however they still went on to decline it, and he feels this is unfair.

Since the complaint has been with our service, Mr T has told us he’s now at risk of eviction and is seeking legal advice.

On 13 May 2024, Santander responded to Mr T’s appeal and his complaint. In the appeal response they said they were sorry to hear of the situation Mr T is in, but they need to act as a responsible lender. Based on Mr T’s external credit scoring and account behaviour, Santander said it would be unable to lend him anything at this time.

In their final response letter, they offered Mr T £100 as a gesture of goodwill to try and help alleviate Mr T’s financial concerns in the short-term.

Mr T wasn’t happy with the response, so he brought the complaint to our service. An Investigator looked at everything and rejected Mr T’s complaint. They said Santander doesn’t have to lend to Mr T if they didn’t want to. But they do need to lend responsibly.

Having reviewed the statements on file the Investigator felt Santander had genuine reasons to decline the application and was satisfied their processes were followed.

Mr T wasn’t happy with this answer, so the complaint has been passed to me to consider.

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.

I'd like to start by acknowledging the challenging circumstances Mr T is facing, and I thank him for being upfront about the situation he's in. However, I've reached the same outcome as the Investigator, for the same reasons.

Santander don't have to lend to anyone if they don't feel it's suitable, and our service can't force them to lend. But, they do have to explain the main reason why an application for credit such as that made by Mr T is declined, if requested by the applicant. I've thought about the reason Santander has given for declining Mr T's overdraft request and whether it was fair or not.

There are many rules and regulations in place holding Santander to a certain standard when deciding whether to lend to their customers. It's really important when lending they do so in a responsible way. This means that they need to demonstrate that they've checked if the amount of credit being asked for is affordable and sustainable for the customer they're providing it to.

Our approach is set out on our website, but we do expect Santander to ask itself a set of questions about the suitability of the credit being lent. These include carrying out reasonable and proportionate checks that are borrower focussed and consider, in this case, Mr T's specific circumstances.

In Mr T's case, Santander said they carried out both internal and external checks. Santander also said Mr T's external credit checks showed he had adverse data recorded at the time of application. While I don't know specifically what that adverse data said, I don't think I need to see evidence of Mr T's credit file information at that time, because based on the information I have about Mr T's history with Santander, there's enough information available to demonstrate Santander didn't act unfairly when it declined Mr T's application for an increase to his overdraft limit.

Santander has provided the collections records it holds for Mr T, since 2015, which it says shows his account had been in and out of collections. What this means is that Santander were needing to take extra steps to recoup payment from Mr T as they weren't receiving the expected or minimum amount from him. I can see the account was in arrears and in collections in June, July and August 2023.

I've reviewed the current account statements for Mr T's Santander account and I can see there are significant periods of time since 2019 where Mr T is in an overdrawn position. Santander will be familiar with the rules around overdrafts, but essentially, the rules say overdrafts are intended for short-term, emergency borrowing, and when a customer is in an overdrawn position more than they have credit in the account, the firm should step in and support that customer in getting out of the overdraft.

In this case, Mr T has a history of borrowing on the overdraft and not coming out of it for sustained periods of time, meaning it's costing him in interest and charges which are contributing to his financial detriment. I think it was appropriate for Santander when considering whether to increase Mr T's overdraft limit, to pay close consideration to his history with them and the use of his overdrafts previously, because it's indicative of how he's likely to manage the account in future. And given the information available to Santander, I don't think it was wrong of it to have concluded that it wouldn't be appropriate of it to provide an increase in Mr T's overdraft limit if it had concerns about his ability to afford to repay the additional borrowing in an affordable and sustainable way without causing him further financial harm.

I appreciate Mr T feels unhappy with the appeal and believes human factors haven't been considered by Santander in respect of its refusal to provide him with the increased overdraft

limit. Whilst I do understand the very difficult personal circumstances that Mr T has told us about and the impact of Santander's decision to decline his application, for the reasons I have set out above; I don't think it did anything wrong in declining his application.

Santander have offered Mr T £100 as a gesture of goodwill to try and offer him some temporary support. But if Mr T needs additional help, he may wish to seek advice from organisations such as The Citizens Advice Bureau.

I know this will come as a disappointment to Mr T, but I can't say fairly Santander have done anything wrong.

Santander has made an offer to pay £100 as a gesture of goodwill to settle the complaint. Mr T should contact Santander directly if he now wishes to accept the offer.

My final decision

It's my decision that I don't uphold Mr T's complaint against Santander UK Plc and I don't think it needs to do anything to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 22 August 2024.

Meg Raymond
Ombudsman