

The complaint

Mrs O complains that Santander UK Plc lent to her in an irresponsible manner.

What happened

In addition to the credit card that is the subject of this complaint, Mrs O was also given two loans by Santander. Her complaints that those loans were lent irresponsibly have been dealt with by another ombudsman. So, in this decision, I will only be considering what happened when Mrs O was given the credit card by Santander.

Mrs O applied for, and was granted, a credit card by Santander in March 2021. Her credit limit was initially set at £8,000 and has remained unchanged. In October 2023 Mrs O started to face some financial difficulties and failed to make her contractual minimum payment. At that time Santander refunded some interest and charges that had been added to Mrs O's account. I understand that Mrs O continues to make token repayments on her credit card awaiting the outcome of this complaint.

Santander didn't agree that it had been irresponsible to give this lending to Mrs O. It said that it had checked Mrs O's financial position before agreeing to open the credit card account. And it said those checks suggested that Mrs O would be able to repay what she owed. Unhappy with that response Mrs O brought her complaint to us.

Mrs O's complaint has been assessed by one of our investigators. He thought that the checks Santander had done had been proportionate. And he thought the results of the checks had suggested that the credit limit Santander had offered was affordable. So the investigator didn't think Mrs O's complaint should be upheld.

Mrs O didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Mrs O's complaint.

The rules and regulations at the time Santander provided this credit card to Mrs O required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Santander had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs O. In practice this meant that Santander had to ensure that making the repayments wouldn't

cause Mrs O undue difficulty or adverse consequences. In other words, it wasn't enough for Santander to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mrs O.

Checks also had to be "proportionate" to the specific circumstances of the card application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Santander did what it needed to before agreeing to lend to Mrs O.

Santander gathered some information from Mrs O before it offered her the credit card. It asked her for details of her income, and her normal housing costs. It then used some industry statistical data to estimate the remainder of Mrs O's expenditure. And it checked Mrs O's credit file to see how much she was paying to other lenders, and how she had managed credit in the past.

Mrs O told Santander that she was earning around £80,000 per annum. And she said she was paying around £1,000 each month on her housing costs. Santander's estimate of Mrs O's other living costs amounted to a further £1,788 per month. The credit check showed that Mrs O hadn't faced any serious problems managing her money in the past. And, at the time of her application, she was making very little use of credit from other lenders.

I think the checks that Santander did were proportionate. And I think the results of those checks suggested that Mrs O would have a substantial amount of disposable income that she could use to meet the contractual repayments on her new credit card account. So I don't think Santander acted irresponsibly in agreeing to give the card to Mrs O.

Mrs O has told us that her finances were under increasing pressure at that time. She says that she had been approved for an overdraft on her current account, by Santander, the month before. She says that she made a further application to another lender for a credit card on the same day. And she said that around a year earlier she had taken some additional borrowing on her mortgage to refinance some existing debts.

Santander was, quite reasonably, reliant on the information it could see from its checks, and what Mrs O told it about her circumstances. Mrs O didn't give Santander any reason to think that her finances were under pressure. In the month before her application for the credit card

I can see that she did use her overdraft from time to time. But her account generally returned to credit when money was paid in. And I haven't seen anything to make me think that Mrs O made Santander aware of her other credit card application, or that she had needed to refinance debts by extending her mortgage the year before. Whilst the extent of the mortgage borrowing would have been visible to Santander, her credit file didn't show any evidence of new borrowing for around two years, or any missed repayments.

For completeness, I've also considered whether Santander acted unfairly or unreasonably in some other way given what Mrs O has complained about, including whether its relationship with her might have been viewed as unfair by a court under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Santander lent irresponsibly to Mrs O or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s.140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Santander UK Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 30 August 2024.

Paul Reilly
Ombudsman