

Complaint

Mr C has complained about personal loans Santander UK Plc ("Santander") provided to him. He says that these loans were unaffordable and shouldn't have been provided.

Background

Mr C has also complained about a credit card and an overdraft which Santander provided to him. However, we've explained that we've looked at the complaints concerning those products separately. And I want to be clear in stating that this decision only concerns Mr C's unsecured loans with Santander.

Santander provided Mr C with a first loan for £5,000.00 in October 2018. The loan had an APR of 17.9% and a term of 60 months. This meant that the total amount to be repaid of £7,388.40, which included interest, fees and charges of £2,388.40, was due to be repaid in 60 monthly repayments of £123.14. Mr C settled this loan early and in full in June 2020.

Loan 2 was for a total of £8,000.00. This loan was provided in January 2024. The loan had an APR of 10.9% and a term of 60 months. This meant that the total amount to be repaid of £10,291.20, which included interest, fees and charges of £2,291.20, was due to be repaid in 60 monthly instalments of £171.52.

One of our investigators reviewed what Mr C and Santander had told us. And she thought that Santander hadn't done anything wrong or treated Mr C unfairly when providing him with either of these loans. So she didn't recommend that Mr C's complaint be upheld.

Mr C disagreed with our investigator's assessment and asked for an ombudsman to look at his 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 C's complaint.

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

Santander needed to make sure 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 C could afford to repay before providing him with his loans.

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 lend to a customer irresponsibly.

Santander says it agreed to Mr C's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mr C could afford to make the repayments he was committing to.

On the other hand, Mr C has said he should never have been provided with these loans due to his overdraft usage and his other debts.

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

The first thing for me to say is that Mr C has referred to Santander having provided him with large loans. But loans for £5,000.00 and £8,000.00 in themselves wouldn't be considered large loans or wouldn't warrant a specific level of checks. It is the individual circumstances of the lending in question which is relevant to what a reasonable and proportionate check looks like, not just the amount of any loan in isolation.

Furthermore, this wasn't simply a case of Santander accepting over-optimistic declarations of Mr C's monthly disposable income at face value in these applications. Santander's credit searches did show that Mr C had some existing debts. But these weren't excessive in comparison to his income and at the time of the applications, at least, they were being well managed.

Given what Santander's credit searches showed, Mr C's income and the rest of the information declared, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained during its assessments.

In considering whether Santander was reasonably entitled to lend to Mr C, I've also thought about Mr C's arguments in relation to his gambling transactions in the lead up to loan 1. The suggestion here appears to be that Santander ought to have conducted a full review of Mr C's financial circumstances – i.e. one akin to a mortgage affordability assessment – because Mr C's main bank account was with Santander.

However, such an approach – of mandating that a full financial review be carried out, irrespective of any other circumstances simply because a customer has their main account with a lender – does not to me, at least, to be in keeping with the principle of carrying out an assessment that is proportionate.

Indeed, I consider that a lender insisting on reviewing a customer's bank statements irrespective of the rest of the circumstances (such as the amount lent, the monthly payments due and what any other information the lender may hold indicates), simply because a customer has a current account with that lender, would be disproportionate. In my view, it would be an example of simply continuing to apply a process to a situation, without taking account of the situation and what else a lender might know about the customer.

So I wouldn't expect a lender to automatically carry out a forensic review of bank statements before lending to a customer, simply because that customer has a bank account with it, in the way that Mr C appears to be suggesting. In my view, whether it would be proportionate to take such a course of action would depend on the rest of the circumstances of the

borrowing. I've therefore considered whether the circumstances at the time of loan 1, warranted a full review of Mr C's bank statements.

In this case, given the rest of the information gathered suggested that Mr C was in a reasonable financial position, I don't think that forensically reviewing Mr C's bank statements would have been proportionate here. Mr C had a decent salary and his repayment record on his existing credit was reasonable.

The amount Mr C was borrowing was commensurate to consolidating his overdraft into a loan and Santander was reasonably entitled to believe that Mr C would do this in the way that he was committing to – particularly as consolidating an overdraft into a loan with fixed payments is a reasonable method of a lender helping a customer reduce the reliance on their overdraft. Therefore, I don't think that Mr C's gambling ought to have prevented Santander from lending to him.

What is also key to me is that Mr C said that he was going to use the proceeds of both these loans to repay his existing debts. Loan 1 was Mr C's first consolidation loan with Santander. And I've not seen anything to indicate that any gambling had significantly impacted his repayments to credit, or that any credit check would have shown Mr C had a history of obtaining funds and then failing to consolidate debts elsewhere either. So I think that there was a reasonable chance of loan 1 helping Mr C in the way that he says he hoped it would.

For the sake of completeness and with a view to providing Mr C with some reassurance, I wish to make it clear that I do accept that any matters which occurred after loan 1 was taken out, in relation to whether he was allowed to continue using the overdraft facility, *could* be relevant considerations in relation to Mr C's separate overdraft complaint. But that's not what I'm looking at here and Mr C's overdraft complaint will consider these matters in more detail.

I've also considered that Mr C was provided with a second loan for consolidation purposes and that this could have been an indication that Mr C might have been struggling. But I think it is important to take into account that Mr C settled loan 1 early and in full more than three years prior to his application for loan 2. Furthermore, his external credit position appears to have improved and this is likely to be the reason why he was provided with a much better interest rate on loan 2.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't unfair for Santander to have provided loan 2 to Mr C on the basis that it ought to have realised that it was increasing Mr C's indebtedness in a way that was unsustainable or otherwise harmful.

Given the payments to these loans appear to have been affordable, as well as the break between loan 1 being repaid and loan 2 being taken out, I'm satisfied that Santander was reasonably entitled to proceed with Mr C's applications.

In reaching these conclusions, I've also considered whether the lending relationship between Santander and Mr C might have been unfair to Mr C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Santander irresponsibly lent to Mr C or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Santander treated Mr C unfairly or unreasonably when providing him with either of his loans. And I'm therefore not

upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 October 2024.

Jeshen Narayanan
Ombudsman