

## **The complaint**

Mr T, through a representative, says Santander UK Plc irresponsibly lent to him.

## **What happened**

On 27 June 2023 Mr T took out a loan for £3,850 over 60 months from Santander. The monthly repayment was £110.98 and the total repayable was £6,653.40.

Mr T says Santander should have been fully aware of his debt problems which have been ongoing for many years so should not have authorised the loan. When he called to complain he could not get through and Santander did not contact his authorised representative.

Santander says its checks showed Mr T met its lending criteria. It apologised for the problems Mr T had on the phone when he wanted to complain, and confirmed his representative was now recorded on the complaint.

Our investigator did not uphold Mr T's complaint. He said whilst Santander's checks were not proportionate, it could fairly have made the same lending decision had it completed better checks.

Mr T disagreed and asked for an ombudsman's review. He said the investigator hadn't addressed the main focus of his complaint which is the fact that he was already in serious debt when he took out the loan. Christians against Poverty (CAP), a respected and very well-known debt agency was managing this. It had wrapped his debts up in one monthly payment of around £600 which can be seen from his current account statements and which should have raised serious alarm with the loan department of Santander. Once CAP found about this loan it withdrew its support.

## **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 considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr T's complaint.

Santander needed to take reasonable and proportionate steps to ensure that it didn't lend to Mr T irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mr T could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Mr T's income and expenditure.

This means to decide this complaint I need to consider if Santander's checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did Santander act unfairly towards Mr T in some other way.



I can see Santander asked for some information from Mr T when he applied and it gathered other data from external sources. Mr T declared an annual income of £27,000 equating to a net monthly income of £1,860. He said he was a homeowner with no mortgage. Santander asked about his outgoings (he said £2,000), but it relied on national statistics to estimate his living costs (£946). It carried out a credit check to understand his existing monthly commitments (£209) and his repayment history. It asked about the purpose of the loan which was a wedding. From these checks combined Santander concluded Mr T would have disposable income of £599 and so could afford to sustainably repay this loan.

I agree with the investigator that Santander ought to have carried out further checks given the outgoings Mr T had declared. If they were accurate this would have meant the loan was unaffordable. So I think it need to better understand his fixed living costs, and to verify his income. In cases like this we look at bank statements from the three months prior to application. As Mr T banked with Santander it had access to this relevant information.



The statements show his average monthly income in the three months prior was £1,903 (I have not included the additional incoming salary payment of £1,114.18 in February as it appears to be a one-off). So broadly Mr T's actual income was as he declared.

He had told Santander he had no mortgage or rent costs and the statements support that declaration. His fixed living costs were much lower than Santander's assumption at around £300 (including telecoms, utilities, council tax). This meant better checks would have shown Santander Mr T had around £1,603 income remaining each month to cover food and travel, his existing credit commitments – that it understood to be £209, and other discretionary items. There was a high level of discretionary spend but the regulations do not require a lender to include this in an affordability assessment. It follows I think better checks would, fairly, not have changed the bank's decision.

Mr T argues he was in a debt arrangement at the time and this must be considered. But this was not evident from the credit check Santander completed – given their informal nature such plans are not recorded publicly anywhere. I can see Mr T paid the plan from his Santander current account but in the context of this application I would not say it would have been proportionate for the bank to review all his transactions at a line-item level. I would not reasonably have expected Santander to do this given the results of all its other checks. And this is the only way it would have been aware, unless Mr T had opted to declare his full financial position. That said, even if it had included the cost because it was a regular outgoing that would not have altered the fact that Mr T seemed to have the disposable income to afford the loan.

I can see Mr T used his overdraft facility in the two months before this loan application and Santander would have been aware of this. But from the statements Mr T sent in I can see he had not been reliant on it three or four months before and wasn't in the month after. So it was reasonable for Santander to conclude he was using the facility as intended - for short term borrowing.

Santander's credit check showed Mr T had £7,100 of debt that was costing him £209 a month. There was no recent adverse data, such as CCJs or defaulted accounts. So it was reasonable for it to conclude taking on this loan would not cause financial harm. I appreciate Mr T's full credit file may have differed - a lender will typically only see an extract from the full file and there can be variances for a number of reasons: not all lenders report to all the agencies and there can be timing lags. But I can only fairly expect Santander to respond to the information it saw.

So in the round I cannot conclude Santander was wrong to lend to Mr T. To be clear, I am not disputing Mr T's testimony that he was already under financial pressure. But in the context of this application it would not have been proportionate for Santander to carry out the level of checks needed to learn this.

Mr T told us CAP withdrew its support once it found out about this loan. I can understand Mr T may have breached the terms of his plan by applying for new credit, but the bank would not be aware of this – only he would. I hope Mr T now has the support he needs, if not he could contact StepChange on 0800 138 1111 for free debt management advice.

In the round, I do not think Santander was wrong to lend to Mr T.

I have not seen any evidence it acted unfairly towards Mr T in some other way. I note Mr T had difficulties getting through to Santander when he wanted to make this complaint and he was unhappy it did not contact his representative. It apologises for this and confirmed Mr T's representative is recorded on the complaint so I am not instructing it to take any other action.



I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Santander lent irresponsibly to Mr T or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I am not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 11 December 2024.

Rebecca Connelley  
**Ombudsman**