

## **The complaint**

Miss G complains that Santander Consumer (UK) Plc trading as Santander Consumer Finance was irresponsible in its lending to her.

Miss G is represented by a third party but for ease of reference I have referred to Miss G throughout this complaint.

## **What happened**

Santander provided Miss G with a conditional sale agreement in April 2018 to finance the acquisition of a car. The agreement had a term of 49 months and a total amount repayable of £17,781.50. Miss G was required to make 48 monthly repayments of around £247 followed by a final repayment of around £4,409.

Miss G says that adequate checks weren't carried out before the finance was provided and that had these happened Santander would have realised that the agreement wasn't affordable. Miss G says that she had multiple other debts outstanding at the time and her income varied. She said she didn't have enough disposable income to make the repayments.

Santander issued a final response dated 15 November 2023. It said that identity and credit checks are carried out on all customers at the point of sale in accordance with the rules. It said that Miss G had a good credit score that met its in-house scoring system, and an affordability check was carried out based on Miss G's income following which her application for finance was accepted.

Miss G referred her complaint to this service.

Our investigator thought that it would have been proportionate for Santander to have carried out further checks before the finance was provided to ensure that the lending was sustainably affordable for Miss G. However, she found that had these happened, they would have found that Miss G had sufficient disposable income to make the repayments. Therefore, she didn't uphold this complaint.

Miss G didn't accept our investigator's view. She said that the costs of running the car hadn't been included in the assessment of affordability and when this was combined with the finance repayments it accounted for a significant portion of her income. She explained that she was making extensive use of her overdraft and was paying off several other debts at the time which should have raised concerns about both her indebtedness as well as the affordability of any new lending. She also said that her income hadn't been correctly assessed and include a one-off final payment from a previous employer and that she had started a new job and was in the probationary period which hadn't been taken into account.

## **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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the finance was provided, Santander gathered information about Miss G's employment and income and carried out a credit check. Miss G declared that she was employed with an annual gross income of £12,348. The credit check showed that Miss G had a historic default and two historic delinquent accounts. It recorded that Miss G had seven active accounts with a total outstanding balance of £2,500. While Miss G's credit check didn't raise concerns about how she was managing her existing credit commitments, noting the size and term of the loan and the size of the repayments compared to Miss G's net monthly income, I think that further checks should have been carried out before the finance was provided to ensure that the new lending was affordable for Miss G.

Miss G has provided copies of her bank statements for the months leading up to the finance being provided, along with a recent copy of her credit report. While Santander wasn't required to request copies of Miss G's bank statements, as I think that further checks should have taken place, I have used the information these contain to assess what Santander would likely have identified had proportionate checks taken place.

The credit report provided by Miss G is from 2024 and so may not contain all the information that would have been available in 2018 when the finance was provided. However I do not find it raises concerns about how Miss G was managing her commitments at the time. Taking the information in Miss G's recent credit report along with the result of Santander's credit check, I do not find these raised concerns that meant the lending shouldn't have been provided.

I have then considered the information contained in Miss G's bank statements regarding her income and expenses to understand whether further checks would have suggested the agreement to be sustainably affordable for Miss G. Miss G was receiving monthly income from the employer she recorded on her application. While I note the comment that she was still in her probationary period, I do not have evidence that she made Santander aware of this. Miss G also received another income receipt which she has explained was a final payment from a previous employer. Therefore, I find it reasonable to only include the income received from the employer Miss G had declared. Miss G's average income for the three months leading up to the finance being provided was around £1,500.

Miss G had said she was living with parents. Looking through her bank statements she had regular outgoings for her credit commitments, communications contracts, car tax and gym membership as well as her general living costs such as fuel and food. These averaged around £870. Deducting the repayments due under the Santander agreement left Miss G with disposable income of around £450. Based on this, I do not find that I can say further checks would have shown the agreement to be unaffordable.

I note the comments that Miss G has made about her using her overdraft during this period. While I can see that Miss G's account did go overdrawn during the months leading up to the finance being provided, she was able to bring this into credit when she received her salary. I

considered the charges applied to her account as part of the affordability assessment. Therefore, I do not find this issue meant the lending shouldn't have been provided.

Based on the above, while I think that Santander should have carried out further checks to get a clearer understanding of Miss G's financial circumstances at the time of the lending, I do not find that had these happened they would have found the agreement to be unaffordable.

I've also considered whether Santander acted unfairly or unreasonably in some other way given what Miss G has complained about, including whether its relationship with her might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Santander lent irresponsibly to Miss G or otherwise treated her 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**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 20 December 2024.

Jane Archer  
**Ombudsman**