

## **The complaint**

Mrs F complains that she was offered an APR of 13.9% instead of the representative APR of 6.2% by Santander UK Plc when she applied for a personal loan. She believes that the loan application algorithm is discriminatory.

## **What happened**

In April 2024 Mrs F began an application to Santander for a personal loan of £10,000, which she intended to use towards the purchase of a new car. The loan was advertised at a representative APR of 6.2%. Following completion of a soft credit search, Mrs F was advised that the APR was 13.9%.

Mrs F thought there had been an error and complained to Santander. She asked Santander to explain why the interest rate offered was so high.

Santander didn't uphold the complaint. In its final response it said there had been no error with the APR offered by the system. It said the application algorithm does not discriminate against older females and that Mrs F was not the victim of discrimination based on these factors. Santander said that lending decisions were taken on a risk-based algorithm and that all risk factors were considered on an individual basis and then compiled to provide an acceptable APR rate. Santander said that in relation to the application algorithm, it did not disclose its decision-making process in detail in order to prevent the information being abused and manipulated to benefit applicants.

Mrs F wasn't happy with the response and brought her complaint to this service.

Our investigator didn't uphold the complaint. She said she thought Santander had provided a reasonable explanation as to how they decided the APR that Mrs F was offered. She said it was reasonable that Santander hadn't provided all the information Mrs F had requested because some of the information was commercially sensitive. The investigator said that having looked at all the evidence she didn't think Santander had acted unfairly or discriminated against Mrs F.

Mrs F didn't agree. She said that Santander hadn't been asked specifically about any age element in its applications algorithm. She said it was her view that Santander imposed higher interest rates for older customers to ensure that they do not apply for loans.

## **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 know it will disappoint Mrs F, but I agree with the investigator. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach

what I think is the right outcome.

I understand that Mrs F was disappointed when she was shown an APR which was higher than the representative rate.

Where a representative APR is advertised, as was the case here, this means that 51% of accepted applicants have to get the representative rate as their rate. The other 49% of applicants could get a different rate.

Santander has told this service that it uses credit scoring to determine whether to offer customers a loan. The way in which the application system works is that it gives points for each piece of relevant information, which includes information about things like address, confirmation on the electoral register and the conduct of other accounts. The overall score determines whether an application is successful and what APR the loan can be offered at.

Santander has told this service that there are also other criteria which may be used to decide whether they will lend, but these criteria are business sensitive and can't be disclosed.

I appreciate that Mrs F believes that she's been discriminated against, on the grounds of her age, or her gender, or both. Santander has confirmed in its final response that this isn't the case. Further, I haven't seen anything in the information provided to this service by either party which persuades me that there has been discrimination of the kind that Mrs F complains of.

This service can't determine whether a business has acted lawfully or not. Only the courts are able to do this. But what we can do is look at whether a business has acted fairly and reasonably and followed its processes correctly.

Santander has provided an explanation of the application process and the factors which may be taken into account. It has explained how the application system gives points for each piece of relevant information. I haven't seen the breakdown of what points were allocated to specific items of information as part of Mrs F's application. However, I haven't seen anything to suggest that the process wasn't followed correctly, or that Mrs F was treated differently to any other customer who applies for a loan.

I do understand that Mrs F feels very strongly about this. I've taken all of her concerns on board. However, I haven't seen anything in the information provided by Santander which gives me any cause to think that there is something discriminatory in the application process.

Mrs F has made some further points about what she considers to be targeted marketing by Santander based on her age. As this didn't form part of her original complaint to this service, I'm unable to look into it. However, if Mrs F wants to take these points further, she can raise a separate complaint with Santander.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 3 January 2025.

Emma Davy  
**Ombudsman**