

The complaint

Mrs H complains, through a representative that Santander UK Plc ("Santander") gave her a loan without conducting the correct affordability checks. Had the correct checks been carried out Santander would've realised Mrs H had no means to repay the loan.

What happened

In October 2023, Santander provided Mrs H with a personal loan. Mrs H borrowed £15,000 to be repaid over 60 monthly payments of £432.05. The loan had an APR of 26.9%. If Mrs H repaid the loan in line with the terms and conditions of the agreement, she would've repaid a total of £25,923.

Mrs H has had some problems repaying the loan and an outstanding balance remains due, which was passed to a third party to manage on behalf of Santander in June 2024.

Santander issued its final response letter to the complaint in April 2024 – although it was incorrectly dated. Santander said no error was made because it checked Mrs H's income and the loan appeared affordable.

In the latest assessment the investigator didn't uphold Mrs H's complaint. He said that Santander hadn't done enough checks when the loan was granted. But as Mrs H couldn't provide copies of her bank statements from around the time the loan was approved to show her income and living costs, he wasn't able to say what Santander may have seen had it made better checks.

Mrs H's representatives disagreed across a number of emails, and I want to reassure her that I've read all her submissions and I've summarised the responses below;

- Mrs H is currently in a difficult financial position – including being behind with her priority bills.
- Mrs H says her mental health hasn't been taken into consideration and she referred us back to a letter she had provided from her GP.
- Her health led her to apply for multiple loans and other credit from other lenders at around the time this loan was granted.
- Mrs H doesn't and hasn't worked – her only income is from a benefit she receives.
- Santander ought to have asked for bank statements showing her salary being credited – when these wouldn't have been able to be provided the loan wouldn't have been granted.
- Mrs H had applied for other loans from other lenders around the same time as this loan and her applications were not granted.
- When Mrs H's current account was opened Santander didn't take details of her vulnerabilities.

These comments didn't change the investigator's assessment and so the complaint has been passed to me, an ombudsman for a final decision.

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 explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mrs H's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Mrs H's complaint. I'd like to explain why in a little more detail.

Santander needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Santander needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mrs H before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

I just want to start by saying, I'm sorry to have read about Mrs H's health problems she's had over the last year and I've read and considered all of the evidence which has been provided including the letter from her GP.

Before this loan was approved, Santander took details of Mrs H's income, expenditure and carried out a credit search. It says the results of this check – which included obtaining payslips, showed the loan was affordable and so it was reasonable to lend to Mrs H.

As part of her application Mrs H declared she worked full time and received a monthly income of £2,600. Santander didn't just accept what Mrs H declared about her income. It has explained its underwriting department asked to see evidence from Mrs H to confirm her income. Indeed, this meant that it took just over nine days from when the loan was applied for to when it was approved.

This was a prudent step by Santander to take after all it could see from the bank statements it had access to – as Mrs H was an existing customer - that no income was being paid into her account.

Santander received three months' worth of payslips from Mrs H which covered June to August 2023 – these payslips contained details of the company Mrs H worked for and how much tax she paid. These payslips demonstrated to Santander that Mrs H's declared income was accurate.

However, Mrs H's representative has said these payslips were obviously fake and were created for novelty purposes. I've thought about this, but ultimately, Santander was entitled to rely on the payslips it was given in good faith and so could be relied upon by Santander to confirm Mrs H's income. This is especially given, there isn't as far as I can see, anything within the payslips that would've led Santander to question the legitimacy of them.

Santander also carried out a credit search before it advanced the loan, and a copy of the results have been provided to me. There were no signs that Mrs H was having, or likely

having, financial difficulties. There were no missed payments, defaults or any other types of insolvency. It knew she had two credit cards that didn't have any outstanding balance, and all of her existing debt related to an existing personal loan – which had a balance of £24,672.

As part of the application, Santander recorded that Mrs H's other outgoings came to £500 per month. However, Santander didn't just rely on what Mrs H told them. It went about testing the information she had provided and cross referenced it with data from the Office of National Statistics (ONS).

It used a monthly rental amount of £422 and it added to this other living costs also taken from the ONS of £1,079. Finally, it added to these figures the cost of existing credit taken from the credit results as well as the cost of the payments she would make to Santander for the loan. Having carried out these checks, Santander concluded the loan was affordable to Mrs H.

I must say, that for a first loan, where Santander verified Mrs H's income and conducted a credit search which didn't show up any adverse markers it may well have been just about reasonable for it to have lent without any other verification. So, I do consider there to be sufficient information to conclude that the checks carried out by Santander were likely proportionate.

But, if I am wrong about this, and as the investigator said, had Santander taken some steps to check Mrs H normal monthly living costs, I've not seen enough information to make me think that further checks by Santander would've led it to a different lending decision.

I am therefore not upholding Mrs H's complaint about Santander's decision to lend to her.

After Mrs H experienced problems repaying the loan contact was made between herself and Santander. Santander has provided system notes and copies of telephone call recordings between Mrs H and itself. These were made in January 2024 Mrs H spoke to Santander – she passed the security questions that were asked of her.

On these calls Mrs H explains that her current employer isn't as supportive as a previous one and she's currently not working due to the impact her mental health was having on her. Santander at this point offered a break on the account and sent her an income and expenditure form to complete. It was also told that a family member would be looking to repay the balance, which is why Mrs H was requesting a copy of the credit agreement.

At this point Santander placed a vulnerability marker on Mrs H's profile – which given what it was told about Mrs H was a reasonable course of action to take. This also seems to be the first time it was aware of Mrs H's health and so couldn't have taken any action before. This does mean that Santander couldn't take this into account when loan application was considered.

Santander also said it would be emailing Mrs H a budgeting form to complete. I do think at this point it treated Mrs H fairly and reasonably.

Moving forward there is an outstanding balance that is going to need to be repaid, and Mrs H's representative has provided a significant amount of information about Mrs H's health and her ability to repay this loan. Mrs H (or her representative) may wish to speak to and try and engage with Santander or its appointed representative to see what help and support it maybe able to provide moving forward.

I understand that Santander prevented further contact being made by its representatives (apart from any legal letters it was required to send). Given the circumstances Mrs H's

representative has provided, it's imperative that Santander treats Mrs H fairly and with forbearance in discussing the repayment of the loan - as it is required to do by the regulator.

Having reviewed all the evidence, I am, in the circumstances of this complaint not upholding it because I think Santander conducted a proportionate check. And further checks, even if they would've been carried out wouldn't in my view, have led to a different outcome.

I've also considered whether the relationship might have been unfair 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 H 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

For the reasons I've outlined above, I am not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 28 February 2025.

Robert Walker
Ombudsman