

The complaint

Mr L complains that Santander UK plc irresponsibly lent him three loans between 2020 and 2022.

What happened

Mr L took out the first loan with Santander in April 2020. He borrowed £3,000 over a term of three years. The monthly loan repayments were £111.44.

Mr L took out the second loan in April 2021. He borrowed £10,000 over a term of five years. The monthly loan payments were £250.88.

Mr L took out the third loan in February 2022. He borrowed £5,000 over a term of five years. The monthly loan payments were £125.44.

Mr L applied for all three loans online. The first loan was repaid by way of the second loan in April 2021. Mr L made the monthly payments to the second and third loans until March 2022. He entered into an individual voluntary arrangement (IVA) in April 2022. Later in 2022 he resumed payments to both loans through the IVA but paying less than the contractual monthly payments. His payments have since increased. Mr L's IVA practitioner has expressed an interest in any compensation arising from this complaint.

In 2024, through a claims management company, Mr L complained that Santander had been irresponsible in lending him all three loans. He said it hadn't carried out proportionate checks, and he had struggled to afford the monthly loan payments. Santander said it thought it had completed appropriate affordability checks and it had done nothing wrong.

The complaint was referred to the Financial Ombudsman Service. Our Investigator said that Santander should have carried out more checks than it did, but that had it done so it would have concluded that the loans were affordable and sustainable for Mr L given his financial circumstances. She didn't recommend that the complaint should be upheld.

Mr L didn't accept that conclusion and his representative asked for a review. They thought Santander should have done more to check Mr L's expenditure before granting the 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've also considered relevant rules – including relevant sections of the Consumer Credit sourcebook – guidance, and good industry practice. Having done so, I've come to the same overall conclusion as the Investigator did, for much the same reasons.

In assessing Mr L's loan applications, Santander needed to take reasonable steps to ensure that, if it agreed to lend, it did so responsibly. In practice, this means it should have carried

out proportionate checks to make sure that Mr L could afford to repay any money it lent in a sustainable way. These checks could take into account a number of different things, such as how much was being lent, the level of monthly payments and Mr L's income and expenditure. But there was no set list of checks Santander had to do.

Santander has provided details of the information Mr L gave it in all three loan applications, together with the checks it carried out when deciding whether to lend. Mr L's stated monthly net income and outgoings, alongside the resulting disposable income and repayments for each loan, were:

	Declared income	Declared outgoings	Disposable income	Loan payments
Loan 1	£2,000	£1,100	£900	£111
Loan 2	£2,700	£1,300	£1,400	£251
Loan 3	£2,800	£1,200	£1,600	£125

Santander has said it used this information, together with information on Mr L's credit report about his other debts and how he was managing them, and data from the Office of National Statistics (ONS) to model Mr L's expenditure based on his circumstances.

Santander didn't ask Mr L for evidence of his income when it assessed any of his three applications. I think it would have been proportionate for it to have done so, in particular before lending the second two loans, given the larger sums and longer terms involved. However, I've seen Mr L's bank statements, and the monthly payroll credits to his account broadly reflect the income declared on all three applications. Mr L's income from employment increased between April 2020 and April 2021, and increased again slightly by February 2022.

Mr L's bank statements show that the average of three months' income before each of his three loan applications came to £1,996 between January and March 2020, £3,055 between January and March 2021, and £2,775 between November 2021 and January 2022. So the income Mr L declared and on which Santander relied when assessing the affordability of the loans, as set out in the table above, was a fairly accurate reflection of his financial situation. It follows that had Santander checked that Mr L's income was as he had stated, it would have found that it was.

Mr L's representative has said that Santander should also have checked Mr L's outgoings and it shouldn't have relied on his declared expenditure and ONS data, because his level of debt meant his expenditure was higher than average. I disagree. Santander's records show that it took into account Mr L's actual monthly outgoings to pay other debts by checking his credit reports, as I'll set out below. I don't think it was unreasonable to have assessed Mr L's other expenditure based on his circumstances and ONS data, alongside his declared expenditure. Santander ultimately used the estimates in its assessment because they were higher than the amounts Mr L had declared.

Mr L has told us that his expenditure was higher than he declared on his applications, because he was paying his partner around £500 to £700 each month and Santander didn't take that into account. I haven't seen records of those regular payments on the bank statements provided, which run from 2017 to 2024 and which I have reviewed from 2019 to February 2022. The statements do show monthly payments of a few hundred pounds to Mr L's parents for rent and housekeeping, and £100 each month to a savings account. It may well be that Mr L's expenditure was higher than the amounts he declared on his applications and higher than Santander's modelling. But that, of itself, doesn't mean Santander failed to complete necessary or proportionate checks before lending or that it

shouldn't have lent and, taking everything into account, I don't think I can reasonably conclude that it was wrong to have granted the loans.

Santander has provided records of the credit checks it ran before lending to Mr L. They include details of Mr L's existing borrowing at the time of each check and how he had been managing it.

In April 2020 Mr L had two credit cards with balances of £572 and £178, close to their credit limits of £600 and £200 respectively, both taken out in 2017. He had two hire purchase agreements, one with a balance of £20,570 costing £345 a month and the other with a balance of £2,379 costing £118 a month and both taken out in 2018. He had a loan with a balance of £635 and monthly payments of £24 taken out in 2019. He had a current account with an overdraft facility of £250 that wasn't being used. All payments were up to date with no arrears history.

In April 2021 Mr L had two credit cards with balances of £547 against a limit of £600 and of £0 against a limit of £1,000, the first taken out in 2017 and the second in January 2021. He had three hire purchase agreements, one with a balance of £23,274 costing £351 a month and another with a balance of £2,361 costing £111 a month and both taken out in 2020, and a third with a balance of £951 costing £118 a month taken out in 2018. He had a loan with a balance of £353 and monthly payments of £24 taken out in 2019. He also had the Santander loan he had taken out in April 2020 and another loan taken out in November 2020 with a balance of £2,292 and monthly payments of £95. He had a current account with an overdraft facility of £250 that wasn't being used. All payments were up to date with no arrears history.

In February 2022 Mr L had two credit cards with balances of £1,580 against a limit of £1,600 and of £0 against a limit of £1,000, the first taken out in 2017 and the second in January 2021. He had one hire purchase agreements with a balance of £19,756 costing £351 a month taken out in 2020. He had a loan with a balance of £118 and monthly payments of £24 taken out in 2019. He also had the Santander loan he had taken out in April 2021 and another loan taken out in January 2022 with a balance of £2,500 and monthly payments of £97. He had a current account with an overdraft facility of £250 and an overdraft balance of £67. All payments were up to date with no arrears history.

Santander has said that these checks showed Mr L was managing his existing credit well. I don't think there was anything to indicate that Mr L was struggling to maintain payments to his existing commitments. Santander has also shown that, although Mr L said on his applications that the loans were for debt consolidation, when it assessed the applications it did so on the basis that his existing debts wouldn't be repaid using the new loans – it carried out its assessments on the basis that he could afford to pay all of his existing debt plus the new loans.

In summary, I consider that Santander should have carried out further checks on Mr L's income when assessing his applications to satisfy itself that he could afford to repay the loans in a sustainable way. But I think that had it done those further checks it would have concluded the loans were sustainably affordable, and I don't consider that it lent irresponsibly. I don't therefore require it to compensate Mr L or take any other action to settle this complaint.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 7 March 2025.

Janet Millington
Ombudsman