

The complaint

Mr G complains that Santander UK Plc (Santander) didn't explain how interest would be charged on a loan he took out with them. He says that the interest rate was too high and that he didn't receive a copy of the agreement until after the cooling off period had passed.

What happened

Mr G took out a loan with Santander in September 2023. Before and shortly after he agreed to the loan, he had conversations with the business. He asked questions about how much interest would be charged but the agent didn't explain properly. Once the loan was in place, he was upset to find that interest had been front loaded. He said it was his intention to pay the loan off early and had he been aware of that he wouldn't have signed up for the agreement. He was also disappointed that the loan hadn't been offered at the advertised APR and he said he hadn't received a copy of his agreement until after the cooling off period had ended.

Santander didn't uphold Mr G's complaint, so he referred it to this service.

Our investigator thought Santander should have explained how the interest was front loaded and Santander agreed that they'd misinformed Mr G that the proportion of interest and capital on each monthly payment would remain the same. Santander agreed to pay Mr G £150 in compensation and our investigator thought that was fair.

Mr G didn't agree so his complaint has been passed to me, an ombudsman, to make 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.

I agree with the investigator's opinion. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

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 think Santander provided sufficient information to Mr G to enable him to make an informed decision about whether to accept the APR provided. They didn't have to provide an APR at the advertised representative rate as it was for them to assess the risk in the lending and set an appropriate rate. They explained that rate on a call they had with Mr G on 13 September 2023 and the agent explained the total amount that would need to be repaid.

Consumers are expected to take responsibility for the decisions they make about products and services. But to do this, businesses must give them the information they need, at the right time, and presented in a way they can understand. That way they can make informed decisions.

I don't think Santander provided accurate information about how the interest was loaded. They suggested it was evenly loaded when it wasn't.

Mr G has suggested he didn't receive a copy of his agreement for five months. Santander have provided copies of letters they sent to Mr G. I can see that duplicate contractual information was sent on 22 September 2023 and as that's an automated process, and the correspondence was addressed to the same address we have registered for Mr G, I think it's likely it was sent. The terms of the fixed sum loan agreement did set out that interest would be front loaded, but I accept that Mr G may have been persuaded otherwise in the phone conversations he had with the business.

I think it's reasonable for Santander to compensate Mr G for the distress and inconvenience caused and I think their offer of £150 is fair. I don't think Santander need to do any more as I don't think I have sufficient evidence that Mr G would have done anything differently had he been given the correct information. He says he would have paid for his van repairs out of savings, but I've seen no evidence of those savings, and if he'd gone elsewhere, it seems likely to me that other loans from other providers would also have front loaded interest as that is usual practice.

Mr G has mentioned that he may have other complaints he wishes to raise but he'll need to allow Santander to consider those complaints first. He may refer them to this service if he is dissatisfied with Santander's response.

My final decision

For the reasons I've given above I uphold this complaint in part and tell Santander UK Plc to pay Mr G £150 in compensation unless they have already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 April 2025.

Phillip McMahon
Ombudsman