

The complaint

Miss F says that Santander Consumer (UK) Plc ('Santander'), irresponsibly lent to her.

She says that it didn't take reasonable steps to ensure she could afford the repayments towards a conditional sale agreement to purchase a car. She says that she was a student in casual part time work, and so she shouldn't have been accepted for the car finance.

What happened

This complaint is about a conditional sale agreement that Miss F took out to purchase a car in July 2019. The vehicle, and extras such as the warranty, had a price of £15,095 and Miss F financed all of this.

This agreement was to be repaid through 48 monthly instalments of £242.89 followed by a final payment of £6,921.30. If Miss F made the repayments in line with the credit agreement, she would need to repay a total of £18,580.02. The agreement was paid in full, and it has now ended.

Miss F complained to Santander saying that it didn't do reasonable checks before lending, with reference to her being a student who wasn't in stable full time employment.

Santander considered this complaint, and it didn't uphold it. It thought it'd done adequate checks, which showed that she could afford the lending. Miss F didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Miss F's complaint. She thought that Santander hadn't demonstrated that it had made proportionate checks. But if it had made better checks these would have shown the loan was affordable as Miss F's outgoings were very low in relation to her income.

Miss F didn't agree with the Investigator. She said that her student finance, and maintenance grant, were not long term 'income' and she was heavily overdrawn. She was in persistent debt. So, the lending wasn't responsible, given the amount borrowed and the term of it.

Because Miss F didn't agree, this matter has been passed to me 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Santander complete reasonable and proportionate checks to satisfy itself that Miss F would be able to repay the credit in a sustainable way?

- a. if so, did Santander make a fair lending decision?
- b. if not, would reasonable and proportionate checks have shown that Miss F could sustainably repay the borrowing?

2. Did Santander act unfairly or unreasonably in some other way?

And, if I determine that Santander didn't act fairly and reasonably when considering Miss F's application, I'll also consider what I think is a fair way to put things right.

Did Santander complete reasonable and proportionate checks to satisfy itself that Miss F would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Santander has explained that the finance broker asked Miss F some questions about her financial and personal circumstances. It found out that she was single and living with her family. She was in full time employment as a waitress with an annual income of £10,800. The proposal said she had £900 a month in disposable income.

On receipt of the proposal Santander said it checked Miss F's identity and obtained some information from a credit reference agency. This showed that Miss F had debts of around £4,000 over five accounts. This was mainly her credit card and her overdraft. The information from the credit reference agency showed that Miss F didn't have any negative repayment information, such as late payments or defaults.

Santander said that Miss F met the threshold for its in-house credit approval system and, as far as I can see, the credit was approved on this basis.

So, other than finding out some information about her existing credit, Santander doesn't seem to have asked, or found out about, Miss F's expenditure. It concluded from the information it did have, that her monthly commitments were low. And it didn't confirm Miss F's income.

But this was a long-term lending agreement and Miss F would be repaying a reasonable amount each month for the duration of it. So, I think Santander should have verified her income and expenditure to a greater degree, to ensure she could sustainably repay the finance. It doesn't seem to have done this at all, other than relying on what was on the finance proposal and looking at what was on her credit file.

So, I'm not persuaded that the checks Santander did were reasonable and proportionate.

Would reasonable and proportionate checks have shown that Miss F would be able to repay the credit in a sustainable way?

I've gone on to consider what Santander would likely have found had reasonable and proportionate checks been carried out.

Miss F has also provided copies of her bank and credit card statements for the period just before the lending. While I wouldn't have expected Santander to have asked Miss F for copies of these, I'm satisfied that these statements would give a good indication of what Santander would likely have taken into consideration had it asked Miss F to verify, or provide more information about, her income and committed expenditure during that specific period.

I don't think there is any question that this information does show that the repayments were affordable for Miss F. Whilst her income did vary it was significantly more than her expenditure in the months leading up to the lending. This is because her committed expenditures were very low due to her living arrangements. She had enough to repay the finance, and I think this is what Santander would have seen if it had made better checks.

Miss F thinks that other, related, aspects of her circumstances made the lending inappropriate for her.

I have noted that she used her overdraft, and she had some credit card debt. And these can be an indicator of financial problems. But Miss F wasn't paying any fees or charges on her overdraft and her credit card usage was modest and always paid on time. I don't think that Santander shouldn't have lent because of her existing use of credit.

Miss F has said that her personal situation made the lending irresponsible. This is partly as she was in full time (postgraduate) education, and some of her 'income' came from student loans and / or grants, and there was a payment from her future employer. She says her work was seasonal or temporary and in the hospitality sector.

Again, these are factors that Santander should have considered as they could lead to repayment problems. But these can't be considered separately from Miss F's other circumstances. That is, she seemed to have a stable living situation, her income was significantly above her outgoings. And she was managing her existing credit. I don't think her status as a student and her work situation are such that Santander shouldn't have lent.

Miss F says that the amounts she received due to being a student and a payment from her future employer, shouldn't be considered income. This is because they were earmarked for her education. I don't really agree with this as it is money she was in receipt of. But even if I don't consider these amounts, I still think it's reasonable to say the lending was affordable for her.

Miss F did face some uncertainties as she was leaving full time education. I've thought about whether Santander should have put more emphasis on these future uncertainties.

It is common for people to face changes in their personal and work situations. And it can be difficult to factor these into a lending decision, as the inherent risk concerns events that haven't happened yet. But in this case there was no indication that Miss F's living arrangements were about to change. Or that her work was about to end. And it looks like from what she has said, and the information on her bank statements, that she had secured employment in the future. And I say this because I have seen evidence that she was receiving payments from this future employer. I don't think the prospect of future changes in Miss F's situation should have led to Santander not lending.

So, I'm satisfied that, had Santander carried out reasonable and proportionate checks, I think that it's likely that it would have found the finance to be sustainably affordable. And I don't think there are any other reasons why it shouldn't have lent.

Did Santander act unfairly or unreasonably in some other way?

I've also considered whether Santander acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss F 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.

I haven't seen anything to make me think Santander acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 25 September 2025.

Andy Burlinson
Ombudsman