

The complaint

Mr G complains through a representative that Santander (UK) Plc (“Santander”) gave him a loan without carrying out sufficient affordability checks.

What happened

In March 2019, Santander provided Mr G with a personal loan of £1,000. There were interest fees and charges of £672.20 at an APR of 24.89% with a total to repay of £1,672.20. Mr G was to repay this loan through 60 monthly instalments of £27.87. The loan was settled in March 2024.

Santander issued a final response letter about Mr G’s complaint in July 2024, and didn’t uphold it. Mr G’s representative then referred the complaint to the Financial Ombudsman.

Mr G’s complaint was considered by an Investigator who in her latest assessment upheld the complaint considering the discrepancy in the credit search results and what Santander saw in Mr G’s bank statement. Santander disagreed, and I’ve summarised its responses below.

- Not all of the credit file information – visible in the bank statements was reported in the credit search results that Santander received.
- While Santander used monthly credit commitments of £55 it ought to have used the actual costs to Mr G of £275 – which had it done so still made the loan affordable.
- Two of the loans Santander was aware of where due to finish a couple of months after its loan started.
- The bank statements were only requested to confirm Mr G’s income not to assess whether Mr G could afford the lending.
- Santander queried whether the loans and payday loans visible on the bank statement were still active and would therefore run alongside Mr G’s Santander repayment.

These comments didn’t change the Investigator’s assessment because she was satisfied Santander had information to hand to call into question Mr G’s credit check results. And so, as no agreement could be reached the complaint has been passed to an ombudsman for a 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 Mr G’s complaint. Having carefully thought about everything I’ve been provided with; I’m upholding Mr G’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 Mr G 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'll only cover the income and affordability checks briefly, because this complaint turns on the credit search results and the bank statement. Santander found out that Mr G's income was £1,149 per month. Santander checked this with a copy bank statement provided by Mr G for the month of January 2019 – which confirmed the amount Mr G declared was accurate.

In terms of outgoings, Mr G declared he lived at home and had monthly living costs of £250. Santander used statistical data from the Office of National Statistics as well as data that it found on Mr G's credit file to test what Mr G had declared. Santander worked out that Mr G had around £555 per month in outgoings.

It's also worth adding there that as a starting point it isn't unreasonable for a lender to rely on statistical data to establish non-discretionary living costs – as this is set out in the regulations – CONC 5.2.19A. Given, the small monthly payments that Mr G was needed to make, I can quite understand why Santander believed the loan to be affordable and sustainable for him.

I now turn to the credit check results. Initially Santander said that it wasn't able to provide a copy of the credit check results that it received but it did provide a summary of what it was told. It knew Mr G had three loans with outstanding balances of £1,933 and a credit card which had a further balance of £242. These accounts had been managed well with no signs of financial difficulties.

Overall, Santander said that Mr G's monthly credit commitments – based on total debt of £2,175 was around £55 per month. Later, Santander was able to provide the raw data it received, and the results echoed the summary it provided.

However, as the investigator has pointed out, Santander had information which contradicted the credit check results. I acknowledge that Santander says the bank statements were only collected to get an idea of Mr G's income but nonetheless it was given information that did cast doubt over the veracity of the credit check results it received when it carried out the affordability assessment.

The bank statements clearly show that Mr G had in the month of January 2019 more credit commitments. He had paid nearly £800 to eight loan providers of which four were payday loans and another was a high-cost credit loan. On top of this there were further payments of £60 to two credit card providers. Finally, he'd also taken on a new payday loan at the end of January 2019.

I accept this was in the month before the application was made and so it's possible that some or all of these loans had been repaid, and Mr G had stopped using payday loans – as Santander has suggested.

But equally, Santander has acknowledged there were perhaps deficiencies in its own credit check results because it said that only £55 was used whereas it has now said the actual amount Mr G had to pay was more like £275. But it had evidence in the form of bank

statements that even that amount was an unrepresentative and the costs were significantly greater than that.

But regardless of what Santander's credit checks showed, the bank statement Santander chose to collect showed Mr G's monthly credit commitments were likely to be higher than what it had calculated.

I think the bank statement shows that Mr G was likely dependent on payday lending given the number of active accounts. And he was also likely dependent on taking out new borrowing to cover his existing living costs because the new payday loan Santander could see in the bank statements was taken out two days before he had a loan due to a high-cost credit provider.

Santander has suggested that perhaps further information is and was needed from Mr G to see what his payday loan use was like at the end of 2018 and what happened in the months after the loan was granted. To be clear, I don't think that this was needed because Mr G's January 2019 statement shows the payments weren't likely to be sustainable.

But nonetheless Mr G has provided a copy of his credit file, and I did look at this to see whether there were any signs that Mr G had been using payday loans over a longer period of time.

I can see that in the six months before the Santander loan Mr G had settled seven such loans. And looking forward in time I can see that Mr G continued to be granted payday loans throughout 2019 and 2020. So, I think it's reasonably clear that the January 2019 bank statement wasn't a one off but rather an accurate reflection of the fact Mr G was a regular user of payday loans.

Overall, bearing in mind the small loan value and small monthly repayments Santander may well have thought it had done enough before lending. But the fact it had bank statements that showed Mr G was already dependent on payday loans ought to have led it to conclude the loan was neither affordable nor sustainable.

I am therefore upholding Mr G's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr G in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

In order to put things right Santander should do the following

- remove all interest, fees and charges applied to Mr J's loan from the outset. The payments Mr J made, to Santander, should be deducted from the new starting balance – the £1,000 originally lent. Mr G has already paid Santander more than £1,000 then it should treat any extra as overpayments. And any overpayments should be refunded to Mr J;
- Add interest at 8% per year simple on any overpayments, from the date they were made by Mr G to the date of settlement†
- remove all adverse information Santander recorded about this loan from Mr G's credit file.

† HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr G a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've outlined above, I am upholding Mr G's complaint.

Santander (UK) Plc should put things right for Mr G as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 August 2025.

Robert Walker
Ombudsman