

## **The complaint**

Ms S says Santander Consumer (UK) Plc ('Santander'), irresponsibly lent to her.

Ms S says that Santander didn't take reasonable steps to ensure she could afford the repayments towards a conditional sale agreement to purchase a car. She says that if Santander had made better checks it would have found out that she couldn't sustainably afford the repayments as her income was low and the finance repayments were a high proportion of this. She says she was struggling financially.

Ms S' complaint has been brought by a representative and I've referred to Ms S and the representatives' comments as being from Ms S for ease of reading.

## **What happened**

This complaint is about a conditional sale agreement that Ms S took out to purchase a car in July 2018. The vehicle had a retail price of £17,791. Ms S paid a £2,000 deposit meaning £15,791 was financed.

This agreement was to be repaid through 60 monthly repayments of £367.18. If Ms S made all the repayments in line with the credit agreement she would repay a total of £24,030.80. I understand she repaid the agreement early.

Ms S complained to Santander saying that she was already struggling financially when she took the finance, and proper checks would've shown this. And so, Santander should not have lent to her.

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

Our Investigator didn't uphold Ms S' complaint. She thought that Santander should have made better checks to see if the loan was affordable for Ms S. But our Investigator didn't have enough information to be able to say that the loan was likely to be unaffordable for her.

Ms S didn't agree with the Investigator. She explained that her benefits were paid into another account, but the net transfers were very limited, this shows her income and financial resources were restricted. Ms S says she struggled throughout the agreement.

Because Ms S 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 Ms S 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 Ms S 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 Ms 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 Ms S 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.

The application data shows that Ms S was a tenant in furnished accommodation, she was employed and had worked for the same employer for three years.

Santander has said that it asked Ms S what her income was, and it said that it validated this using a credit reference agency tool. As far as I can see Santander hasn't provided the amount it thought Ms S' income was. But it isn't unreasonable, given the passage of time, for it not to have kept this. And this method of income verification is used extensively and is usually fairly accurate. It seems reasonable to say that Santander did find out what Ms S' income was.

Santander says it checked Ms S' credit file and applied a series of calculations that looked for signs of financial stress and affordability. It said that these checks confirmed that Ms S had a good credit score that met the threshold for its in-house scoring system. And Ms S met the profile for consumers that could repay the lending without problems.

And Santander also says the credit reference agency data showed that she had no outstanding defaults, payday loans, or any other negative payment information. It has provided a copy of the information it obtained, and it does show that Ms S didn't have any current credit problems.

Santander found out that she was paying £439 a month to her existing credit. The information provided shows this was for a loan of just over £20,000 and credit card debt of about £4,000.

Santander has said that it used Office of National Statistics ('ONS') data to estimate her living expenses. But other than finding out some information about her existing credit, Santander doesn't seem to have asked, or found out about, Mr B's expenditure.

After doing these checks it thought that the monthly repayments would be affordable to her.

But this was a long-term lending agreement and Ms S would be repaying a reasonable amount each month (just over £367) for 60 months. So even if I accept that Santander likely

determined what Ms S' income was, I think it should also have considered what her normal expenditure was, rather than, in the main, relying on statistical averages for this and the information contained in the credit report. It doesn't seem to have done this at all.

So, I'm not persuaded that the checks Santander did were reasonable and proportionate. I think Santander could have checked in more detail that this lending wasn't likely to cause Ms S a problem going forward.

Would reasonable and proportionate checks have shown that Ms S 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. One way to carry this out would have been to ask for copies of bills and rental agreements and other such things. Another is to have a review of the relevant bank account transactions at the time. It's not the only way but it's a convenient method.

As our Investigator said, Ms S has provided evidence that she was in receipt of some benefits.

And Ms S has also provided copies of some of her bank statements for the period just before the finance was approved. The bank statements show that Ms S was transferring a lot of money into, and out of, another account. She's not provided details of this other account, but she has said the other account is where her benefits were paid into. So, the statements provided don't show the full picture of Ms S' financial circumstances at the time.

In the bank statements I have, there are some references to bill and rent payments, in some of the transfers in and out of the account. But, overall, I don't think they give a very clear picture of Ms S' income and expenditure. I don't think it would be reasonable say from these that the lending was necessarily unaffordable or that Ms S' finances were '*tight*' as she says.

And added to this both the bank statements and the credit file information Santander received don't show any significant signs of financial difficulties. There are no recent missed payments, returned Direct Debits or overdraft charges and so on. I don't think I can say from the information I have been provided that the loan was unaffordable for Ms S.

Ms S says she struggled to repay the loan each month as it was a high proportion of her income. But without more detail about what her income and expenditure was, I can't say this was the case. And it's worth noting here that Ms S paid the finance without problems, other than one late payment.

So, and while I appreciate this will come as a disappointment to Ms S, 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 it's for this reason why I won't be asking them to refund all or part of the payments Ms S paid, or of any interest and fees she may have been charged.

Did Santander act unfairly or unreasonably in some other way?

Ms S says that the interest rate was too high. Having looked at this the rate used is in the limits allowed by the regulator at the time. And this is a typical rate for this type of agreement. There isn't any basis for me to say that Santander shouldn't offer to lend at this rate

Added to this, Santander has confirmed with the dealership that Ms S would have received all of the relevant information. And she did sign the documentation to say she had received full information and agreed with the finance.

The interest rate is clearly set out in this documentation and from what I can see Ms S was given time to consider the agreement before it was finalised.

I'm not upholding Ms S' complaint about the rate of interest that the finance had.

Ms S has said that she missed some payments from time to time and this was evidence that the lending wasn't affordable for her. But she was only late paying the lending once and this was put right almost straight away. I don't think the way she managed the account should have given Santander any reason to think she was having financial problems

And, in any event, given the lack of clarity around her circumstances I don't think I can say this was due to her not being able to afford the finance at outset, it may have been, for example, that her circumstances had changed over time.

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 Ms S 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 Ms S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 3 September 2025.

Andy Burlinson  
**Ombudsman**