

## **The complaint**

Miss W complains that Santander UK Plc irresponsibly lent to her.

## **What happened**

The facts of this case are familiar to both sides. With that being the case, I won't provide a detailed background here. Instead, I'll provide a brief summary.

Santander provided Miss W with a personal loan in October 2024. The loan was for £4,000 and it was due to be repaid through 24 monthly repayments of £211.61. The total amount to be repaid by the end of the loan term, including interest and fees, was £5,078.64. The purpose of the loan was recorded as 'home improvements'.

In June 2024 Miss W complained to Santander about its decision to lend. In doing so, Miss W pointed to level of debt she already had at the time, as well as recent missed payments on some of those accounts, as evidence that this loan should not have been granted.

In July 2024, Santander issued its final response in which it did not uphold the complaint. Unhappy with this, Miss W referred her complaint to our service.

One of our investigators reviewed Miss W's complaint and, having done so, issued their opinion in August 2025 in which they did not think Santander had acted unfairly. In short, our investigator thought Santander had carried out reasonable and proportionate checks prior to agreeing to lend, and the information it gathered from those checks did not suggest Miss W was going to have difficulty sustainably repaying the lending.

Miss W did not agree with our investigator. As an agreement couldn't be reached, the complaint has been passed to me to review afresh.

## **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.

Having done so, I've reached the same conclusion as our investigator. I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.

In essence, Santander needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss W could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Santander carry out reasonable and proportionate checks to satisfy itself that Miss W was likely to have been able to repay the borrowing in a sustainable way?
  - i. If Santander carried out such checks, did it lend to Miss W responsibly using the information it had?

Or

- ii. If Santander didn't carry out such checks, would appropriate checks have demonstrated that Miss W was unlikely to have been able to repay the borrowing in a sustainable way?

#### Did Santander carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- the type of credit Miss W was applying for along with the size, length and cost of the borrowing; and
- Miss W's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;
- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- the longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

Prior to agreeing to lend, Miss W was asked to provide details of her income and expenditure. Santander has said it used this information, together with information on Miss W's credit report about her other debts and how she was managing them, and data from the Office of National Statistics (ONS) to model Miss W's expenditure based on her circumstances.

I have seen insufficient reason for Santander to have made further checks in this case. I'll explain why I say that.

This wasn't simply a case of Santander accepting over-optimistic declarations of Miss W's monthly disposable income at face value in this application. As I've said, Santander also carried out a credit search and it has provided the results it received from the credit reference agency. I have noted there had been no any adverse credit issues on Miss W's credit file before the loan was granted. So, it seemed from the credit file that at the point that the lending decision was made, Miss W was affording her existing credit. And so, Santander were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Santander had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Miss W's financial situation.

In other words, given what Santander's credit searches showed, Miss W's income and the rest of the information declared, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained during its assessments.

With this in mind – and taking into consideration the size of the loan and the monthly repayments relative to Miss W's declared income – I think Santander carried out reasonable and proportionate checks prior to agreeing to lend.

Whilst I think Santander proceeded with a proportionate amount of information, as I've said before, it then had to evaluate it because it still had to reasonably assess whether Miss W could afford to meet the repayments in a sustainable way.

#### Did Santander lend to Miss W responsibly using the information it had?

During her application for this loan, Miss W declared her monthly income was £2,600. Miss W also declared her monthly expenditure was £600.

Santander increased Miss W's declared overall expenditure figure using its research on the credit report it obtained, plus it used Office of National Statistics data. The figure it used for Miss W's expenditure was £1,913 each month.

So, using the information Miss W declared about her financial circumstances and the subsequent adjustments it made to her expenditure, it looked like Miss W had about £687 disposable income per month, before the monthly repayment for lending in question was taken into consideration. Therefore, Santander was satisfied that the monthly repayments of £211.61 for this loan should've been comfortably affordable for Miss W on a simple pounds and pence basis.

I've looked at the information Santander had available to it.

The credit check found Miss W had one credit and two store cards (all with no balance), one hire purchase agreement and six accounts titled as 'other' with a combined balance of £478. Santander has explained that an unsecured loan with a remaining balance of £65 and a monthly payment of £65 – suggesting it was nearly settled - was showing with one of the credit reference agencies it used, but not the other. Santander, quite rightly in my opinion, included this account in its calculations. As a result, Santander understood Miss W's total unsecured indebtedness to be £30,240 of which around 90% was the hire purchase agreement. The credit check also showed Miss W had a mortgage.

Santander used what it found on the credit report to calculate what Miss W was committed to paying towards her existing credit commitments (including her mortgage) every month. It calculated this figure to be £743

I do have some concerns about the way Santander calculated Miss W's mortgage repayment. Santander appears to have assumed this was a shared mortgage and, therefore, calculated that Miss W was only liable for 50% of the monthly repayment. I've not seen evidence in the application data to suggest Miss W told Santander this was the case. With the information I have available, I'm not persuaded this was a fair adjustment for Santander to make. That being said, I don't think it makes a difference to the outcome in this case. I say this because, as our investigator noted, even if Santander had applied the full mortgage repayment when calculating Miss W's existing credit commitments, she would still have been left with sufficient income to repay the lending in question and have enough disposable income left over for emergencies or other unexpected costs.

So, looking at things in the round, I think Santander reached a reasonable conclusion when it determined that the loan appeared to be affordable on a pounds and pence basis.

However, it's important to note that Santander was required to establish whether Miss W could *sustainably* make her loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

At this juncture I would say that there was no evidence of active financial problems on the credit report – such as defaults, insolvencies or any other public records (such as County Court Judgments) – which ought to have given Santander cause for concern. In short, I don't think the results of the credit check Santander carried out – or any other information it had available - ought to have alerted it to the fact that Miss W was having trouble managing her money.

I accept that Miss W's actual circumstances when Santander lent to her may be more accurately reflected by the copy of her credit file she provided the investigator with – which showed Miss W was in arrears on her hire purchase agreement around four months prior to the lending in question. It seems the account had been brought up to date and had been managed well since then so it is unlikely this, in and of itself, would have been sufficient cause for Santander to refuse to lend. But, putting this to one side, I does not appear that this information was available to Santander from the credit report data it obtained prior to agreeing to lend. I think I'd be applying the benefit of hindsight unfairly if I were to now use Miss W's own copy of her credit file to argue that Santander's credit search was in some way inadequate or incomplete when that didn't appear to be the case at the relevant time.

Miss W has kindly provided our service with bank statements from her main current account which do show signs of gambling and other indicators of potential indicators of financial hardship which may have alerted Santander to the possibility Miss W would have difficulty sustainably making the repayments in question. However, for the reasons I've explained, I think Santander carried out reasonable and proportionate checks prior to agreeing to lend given the rest of the information gathered suggested that Miss W was in a reasonable

financial position. I don't think that forensically reviewing Miss W's bank statements would have been proportionate in this case. Therefore, I don't think Santander would have been alerted to the problems Miss W was having here.

In addition, I note Miss W took out several loans with other providers around the time she took out the lending in question. As our investigator noted, credit reports are not updated immediately; it can take around four to six weeks for new accounts to appear on a credit report. Bearing in mind Miss W took out loans with other providers around two weeks prior to the lending in question, I am unsurprised these did not appear on the credit report Santander gathered. Therefore, I do not think Santander could reasonably have acted on this information when it wasn't available to them at the time it made its lending decision.

With all of that being the case, I do not think Santander had cause to conclude - from the information it gathered - that Miss W would have difficulty sustainably making the repayments towards this loan.

#### Did Santander act unfairly or unreasonably in some other way?

In reaching my conclusion, I've also considered whether Santander acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Santander lent irresponsibly to Miss W or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Santander treated Miss W unfairly or unreasonably when providing her with this loan. Therefore, whilst I appreciate this will be very disappointing for Miss W, I'm not upholding her complaint.

I understand that the account is subject to a debt management plan. Santander have explained that it has paused its debt collection process until the complaint has been concluded. Whilst Santander's handling of the account is not within the scope of this complaint, I would remind Santander of its obligation to treat Miss W fairly, and with forbearance, moving forwards.

#### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 30 September 2025.

Ross Phillips  
**Ombudsman**