

The complaint

Mr B complains that Santander UK Plc lent to him irresponsibly.

What happened

Mr B took out an overdraft with Santander in August 2022 and increased the overdraft limit as follows:

Date	Existing Limit	Increase	New Limit
09 August 2022	£0	£200	£200
11 August 2022	£200	£300	£500
15 August 2022	£500	£500	£1,000
26 August 2022	£1,000	£150	£1,150
26 August 2022	£1,150	£100	£1,250

In March 2024 Mr B repaid and removed the overdraft using a loan from another finance provider.

In February 2024, with the help of a representative, Mr B complained to Santander saying it had lent to him irresponsibly and failed to appropriately monitor his account.

Santander looked into Mr B's complaint and said it felt it had acted fairly in providing the initial overdraft and the limit increases and in renewing the overdraft at each review. Santander concluded that it hadn't been made aware of any financial difficulties being suffered by Mr B since 2019.

Mr B didn't accept what Santander said and, again with the help of a representative, referred his complaint to our service and one of our investigators looked into it. But he didn't think Santander had acted unfairly.

Mr B rejected the investigators view saying he had remained in his overdraft for prolonged periods and that this isn't how overdrafts should be used. As there was no agreement, the complaint has been passed to me 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.

This includes the comments received following my provisional decision. I issued a provisional decision saying:

“Given what Mr B has complained about, I need to consider whether Santander’s decision to lend to him, or its later action or inaction, created unfairness in the relationship between him and Santander such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness. Mr B’s relationship with Santander is therefore likely to be unfair if it didn’t carry out proportionate affordability checks and doing so would have revealed its lending to be irresponsible or unaffordable, or if it failed to appropriately monitor the account and doing so would have revealed the lending was unfair, and if it didn’t then remove the unfairness this created somehow.

To understand whether Santander have treated Mr B fairly I think there are key questions I need to consider in deciding what is fair and reasonable in the circumstances of this complaint. These are:

- *Did Santander carry out reasonable and proportionate checks to satisfy itself that Mr B was in a position to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Santander make a fair lending decision?*
- *Did Santander act unfairly or unreasonably towards Mr B in some other way?*

Santander had to carry out reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit sustainably. It’s not just about Santander assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Mr B.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Santander carry out reasonable and proportionate checks to satisfy itself that Mr B was able to sustainably repay the credit and if not, what would reasonable and proportionate checks have shown at the time?

Santander has provided this service with a copy of the credit checks it performed In August 2022 but has told us that it doesn’t have a record of Mr B’s income or expenditure. It has said it would usually assess affordability for a customer using a combination of data sourced from credit reference agencies, data from the Office for National Statistics (ONS) and the data provided in the customer application for the lending. But in this case Santander has told us that it doesn’t have any income and expenditure information from Mr B at the time of the lending. And it hasn’t provided any evidence that it assessed Mr B’s income in some other way.

Where the credit limits are low, the checks required may be less detailed. But once a credit limit starts to increase, and particularly where there is a significant increase over a short period of time, I would generally expect to see more thorough checks to ensure the lending is sustainably affordable.

The credit reference information Santander had at the time showed that Mr B was up to date with all payments and wasn’t over indebted. However, I would expect a business to establish what a customer’s income is before deciding to lend. Mr B rapidly increased the overdraft from £200 to £1250 in just over two weeks suggesting Mr B was in need of credit and there may be some sort of financial distress. So, I think it would have been reasonable for Santander to perform some more detailed checks to understand Mr B’s circumstances.

As Santander hasn't been able to provide evidence of the income and expenditure assessments it carried out at the time of the lending decisions, I can't fairly conclude that reasonable and proportionate checks were completed for any of the decisions to approve or increase the lending to Mr B.

So, to understand what Santander would likely have found if proportionate checks had been completed, I've reviewed the bank statements available for the period prior to August 2022 (June and July 2022).

These show that Mr B was using an unarranged overdraft for just over two weeks out of the month in June and July 2022. This indicates that's Mr B could potentially have been in financial difficulties or at the very least have had some issues with money management.

Whilst I can see that Mr B received a salary of around £1,400 in June 2022, this decreased significantly in July 2022 to around £400 and showed as being a final payment from his employer. I can see there are some transfers in from family or third parties but given the informal nature of these and the inconsistency in amounts I don't think it would be reasonable to rely on them as a form of income to be factored into an affordability assessment.

Prior to his income decreasing Mr B had a disposable income of around £390. When his income reduced Mr B's disposable income dropped to around £69, which is a significant decrease. Given this I think it was evident from the account that Mr B couldn't afford to sustainably repay the initial lending or the subsequent increases. So had Santander performed proportionate checks and assessed Mr B's income and expenditure I think it would have realised that Mr B wouldn't be able to sustainably repay the lending.

Given this, I'm not persuaded Santander treated Mr B fairly when it decided to give him the overdraft and increase his overdraft limit.

Did Santander act unfairly or unreasonably towards Mr B in some other way?

I've carefully considered all the evidence provided by each party to this complaint. Having done so, I don't think Santander has acted unfairly or unreasonably towards Mr B in some other way. But I don't think Santander made a fair decision to lend to Mr B in August 2022 so I'm upholding his complaint about the overdraft."

To put things right I said Santander should:

- *Re-work Mr B's account so that any interest, fees and charges applied as a result of the overdraft approval and limit increases from 9 August 2022 onwards are refunded.*
- AND*
- *If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr B, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mr B's credit file. †*

† HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Mr B a certificate showing how much tax it's taken off if they ask for one.

Mr B's representatives received my provisional decision but haven't let us know whether Mr B accepted it. However, Santander replied to say it felt its checks were proportionate. It

reiterated that Mr B had no adverse information recorded about him with the credit reference agencies. It also explained that Mr B had banked with Santander for a long time and so it took a holistic approach to the assessment it completed. Santander says that it relied on the account turnover rather than Mr B's wages from income and believes this was a reasonable approach to take.

For reasons already set out in my provisional decision I don't think the checks Santander completed were proportionate. It's still the case that I think it would have been reasonable for Santander to assess Mr B's income and expenditure before lending, and I haven't seen anything to suggest this was done at the time of the lending. I've already explained why it wasn't reasonable to rely on all payments coming into the account as 'income' and I haven't seen any new information in Santander's further submission that persuades me the checks it completed were proportionate.

I've carefully considered all the available evidence and Santander's further comments. But I haven't seen anything in Santander's further submissions that would lead me to change my provisional decision.

My final decision

My final decision is that I uphold this complaint and require Santander UK Plc to:

- Re-work Mr B's account so that any interest, fees and charges applied as a result of the overdraft approval and limit increases from 9 August 2022 onwards are refunded.

AND

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr B, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Santander should remove any adverse information from Mr B's credit file. †

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

Charlotte Roberts
Ombudsman