

## The complaint

Mrs W complains that Santander UK Plc lent irresponsibly when it approved a credit card application. Mrs W also complains that Santander lent irresponsibly when it later approved a loan application.

## What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Mrs W applied for a credit card with Santander in June 2020. In her application, Mrs W said she had an annual income of £40,000. The application also noted Mrs W had monthly outgoings of £600. Santander carried out a credit search and didn't find any record of adverse credit. Santander applied its lending criteria and approved Mrs W's application, issuing a credit card with a limit of £5,200.*

*Payments for Mrs W's credit card were returned unpaid to Mrs W's bank in January, April, June and July 2022.*

*In July 2022 Mrs W applied for a £25,000 loan with Santander. In this application, Santander says Mrs W gave a monthly income of £3,100 and outgoings of £2,000. Santander completed another credit check and applied its lending criteria. Santander approved Mrs W's application and the loan funds were issued.*

*Mrs W's payments later fell behind and last year she complained that Santander lent irresponsibly. Santander looked into Mrs W's complaint and issued two final responses. Ultimately, Santander said it carried out the relevant lending checks and didn't agree it lent irresponsibly to Mrs W.*

*An investigator at this service looked at Mrs W's complaint. They thought Santander completed reasonable and proportionate lending checks before approving Mrs W's credit card application and weren't persuaded it lent irresponsibly. The investigator thought the recent missed payments on Mrs W's credit card along with the size of the £25,000 loan and its term should've caused Santander to ask Mrs W for more detailed information about her circumstances and verify the information she provided. But when the investigator looked at Mrs W's bank statements they found she had a disposable income of around £1,000 a month. The investigator thought that was sufficient for Mrs W to sustainably cover the new £604.20 monthly repayments and her other general living expenses. The investigator thought that if Santander had carried out more detailed lending checks it's more likely than not it would've still approved her application and issued a loan for £25,000.*

*Mrs W asked to appeal and said she was self employed in July 2022 and that the monthly income she was receiving into her bank account was gross, not net. Mrs W said that after deductions her monthly income was between 25% and 30% lower which meant she wouldn't have had enough disposable income to afford the new loan and her existing outgoings. As Mrs W asked to appeal, her complaint has been passed to me to make a decision.*

## **What I've provisionally 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.*

*Before agreeing to lend, the rules say Santander had to complete reasonable and proportionate checks to ensure Mrs W could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:*

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

*That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website. Our approach relates to both the credit card and loan applications Mrs W made.*

*I can see that in response to our investigator, Mrs W's confirmed she accepts their view that Santander didn't lend irresponsibly when it approved her credit card application. As Mrs W has confirmed she accepts the credit card wasn't irresponsibly approved I'm going to focus on the loan application she made in July 2022.*

*Like the investigator, I'm not persuaded Santander carried out reasonable and proportionate lending checks when it approved Mrs W's loan application. I can see Mrs W had recent arrears on her Santander credit card, including in the month her application was made. In addition, Mrs W was applying to borrow a substantial sum at £25,000 over a reasonably long term with high monthly repayments of £604.20. And I can see a missed payment recorded on a loan in June 2022, the month before Mrs W's application was made. Taken together, I think that ought to have caused Santander to complete more comprehensive lending checks to verify Mrs W's circumstances before approving the loan. That includes asking Mrs W questions about her regular income and outgoings along with verifying the information provided. One option available to Santander would've been to review Mrs W's bank statements which is the approach I've taken.*

*I can see our investigator followed a similar approach and looked at Mrs W's bank statements as well as asking her about regular income and outgoings. The investigator reached the view Mrs W had a disposable income of £1,000 a month in July 2022. But Mrs W's explained that's based on her gross income, not net monthly income which was substantially lower.*

*I recently asked our investigator to contact both Mrs W and Santander for additional evidence. I asked Santander for more detailed evidence showing the loan application Mrs W made. I asked Mrs W to provide evidence to show she was self employed at the point of application and the level of deductions that were made to get a picture of her net income.*

*Mrs W responded and provided a copy of her self assessment tax return for the tax year 2022/2023. Mrs W has explained she was self employed until around October 2022 when*

she took an employed position. The tax return confirms Mrs W was self employed in the 2022/2023 tax year. So I agree with Mrs W that when looking at her bank statements, it's appropriate to note her income at the time was gross.

With that being said, I've reviewed Mrs W's bank statements for all three accounts provided, including the joint account. Mrs W's main sole named account shows she received income that averaged £3,030 a month plus £145 in child benefit. I found on average Mrs W received £3,175 a month.

I've also looked at Mrs W's regular outgoings. I found Mrs W's main sole account had average outgoings of around £1,329 a month for payments taken for debt repayments, insurances and other regular expenses. Mrs W was also transferring funds to her joint account to cover her contribution to household expenses. In some months, there were transfers both into and out of the joint account from Mrs W's sole name account. I found that Mrs W transferred an average of £1,170 a month to the joint account to cover household commitments including her mortgage. The joint account statements show the funds Mrs W transferred were taken up by household outgoings each month.

Taking Mrs W's average income and outgoings together, she had around £676 a month remaining. But that figure doesn't take into account other spending on items like food, fuel, childcare and other general living expenses. So Mrs W's disposable income figure was actually significantly lower than £676 a month. And as Mrs W has explained, as she was self employed at the time of her application, she would've needed to also set funds aside for tax purposes out of her remaining income.

I am aware that the new loan payments were £604.20 and that the loan was intended for debt consolidation purposes. But I think Mrs W's bank statements show she was already at or over capacity in terms of her outgoings and borrowing. For instance, Mrs W's joint account was consistently overdrawn during this period. And I can see various direct debits being returned, including a loan payment of £519 in June 2022 which went unpaid on two occasions.

In my view, Mrs W's bank statements don't show she was in a stable financial position. As noted above, Mrs W's Santander credit card was already with its collections team. And Mrs W's existing loan was in arrears in June 2022, the month before her application was made. Other direct debits were also returned in the preceding months. In my view, Mrs W's bank statements indicate she would be unlikely to be able to sustainably afford repayments to the Santander loan over the course of its term, even accepting it was intended to be used for debt consolidation. I think the more reasonable approach would've been to decline Mrs W's application and recommend she sought debt advice.

As I haven't been persuaded Santander lent responsibly when it approved Mrs W's loan I intend to uphold her complaint and direct Santander to refund all interest, fees and charges applied from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs W in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mrs W responded to confirm she had nothing further to add and wanted to accept the provisional decision. We didn't receive a response from Santander by the deadline.

## **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.

As no new information has been provided and Mrs W has confirmed she wants to accept, I see no reason to change the conclusions reached in my provisional decision. I still think Mrs W's complaint should be upheld, for the same reasons.

## **My final decision**

My decision is that I uphold Mrs W's complaint and direct Santander UK Plc to settle as follows:

Add up the total amount of money Mrs W received as a result of having been given the loan. The repayments Mrs W made should be deducted from this amount.

- a) If this results in Mrs W having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then Santander should to arrange an affordable and suitable payment plan with Mrs W.

If Santander has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 23 October 2025.

Marco Manente  
**Ombudsman**