

Complaint

Miss C has complained about a personal loan which she says Santander UK Plc ("Santander") unfairly provided to her. She says the loan was unaffordable and shouldn't have been provided to her.

Background

Santander provided Miss C with a loan for £3,000.00 in June 2019. This loan had an APR of 24.9% and the total amount to be repaid of £5,016.60, which included interest fees and charges of £2,016.60, was due to be repaid in 60 monthly instalments of around £83.61.

One of our investigators reviewed what Miss C and Santander had told us. She thought that Santander hadn't fairly towards Miss C as it ought to have realised that the loan was unaffordable for her and therefore shouldn't have provided it her. So the investigator thought the complaint should be upheld. Santander disagreed with the investigator's conclusions and asked for an ombudsman to review the complaint.

My provisional decision of 2 October 2025

I issued a provisional decision – on 2 October 2025 - setting out why I wasn't intending to uphold Miss C's complaint.

In summary, I was satisfied that that Santander carried out proportionate checks which showed that this loan was affordable for Miss C. Furthermore and, in any event, I wasn't persuaded that Santander carrying out further checks would have made a difference to its decision to lend.

In these circumstances, I was of the view that it wasn't unfair for Santander to have lent to Miss C.

Santander's response to my provisional decision

Santander agreed with my provisional decision and provided nothing further for me to consider.

Miss C's response to my provisional decision

Miss C responded to my provisional decision. In summary, this was because she said:

- she was reliant on her overdraft and therefore reliant on credit.
- she received poor financial advice not to repay her overdraft until it started accruing interest.
- she was provided with far more in funds than she needed.
- the loan had a high APR and there was a risk of debt cycle.
- while she accepts she may not have formally been identified as vulnerable, she nonetheless was vulnerable and this means that the decision for provide her with this

loan resulted in an unfair lending relationship under s140A of the Consumer Credit Act 1974 ("CCA").

- the investigator's findings more accurately reflected her financial position and the fact that this loan had been irresponsibly provided to her.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, including the responses to my provisional decision, I'm not upholding Miss C's complaint. I'll explain why in a little more detail.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss C's complaint.

Santander needed to take reasonable steps to ensure 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 Miss C could afford to make her repayments before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to provide loans to a customer irresponsibly.

Santander says it approved Miss C's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out. In Santander's view, all of the information it gathered showed that Miss C could afford to make the repayments she was committing to. On the other hand, Miss C has said she was already in difficulty and couldn't afford this loan.

I've carefully thought about what Miss C and Santander have said.

It's clear that Santander did obtain a reasonable amount of information from Miss C before it decided to proceed with her application. I've noted that in her response to my provisional decision, Miss C has reiterated that she was reliant on credit. However, while Miss C was using an interest free overdraft at this time, she didn't have any other major credit commitments at time of this application.

Miss C was using an overdraft that she had an agreement to use and which she wasn't incurring interest on. While I accept that this in itself wasn't a reason to conclude that she could afford further credit, I don't think that it indicates Miss C was reliant on credit in the way that she argues. Indeed, if I took Miss C's argument to its logical conclusion this would mean that a customer using an agreed overdraft shouldn't be provided with any other credit, regardless of the circumstances. While I've noted Miss C's reference to CONC 5.2A, no outright prohibition to lending to a customer in such circumstances exists in any of the regulator's rules and guidance.

Furthermore, Miss C didn't have any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) - recorded against her. So there isn't anything to support that Miss C was in financial difficulty or had a financial vulnerability that Santander ought to have been aware of and factored into its lending decision.

Miss C has reiterated that she applied for this loan in branch as a way of clearing her overdraft, but was then advised by Santander's representative not to do this after she was provided with the funds. As I explained in my provisional decision, our investigator thought that this meant that Miss C's complaint should be upheld. However, I'm afraid that the investigator's conclusions as well as Miss C's submissions aren't supported by Miss C's actions and what her account transactions show happened after this loan was provided.

I say this because the argument that Miss C didn't clear her overdraft is inaccurate. It's fair to say that £1,500.00 of the loan proceeds were transferred to another account. However, the funds that remained in Miss C's Santander current account resulted in her having a credit balance.

I don't know what Miss C was told at the time of her application. It's possible she was told the overdraft would remain interest free for a period and that is why she decided against removing it. However, as precisely the amount required to clear the overdraft remained in the current account, after the loan was provided, Miss C's actions don't support her having followed any recommendation not to use the funds to clear her overdraft.

In addition, as Miss C would have a reasonable credit balance immediately after the funds were advanced, I think that Santander was reasonably entitled to conclude that Miss C would be left in a better position as a result of being provided with this loan. Indeed, as this was a first loan Santander was providing to Miss C, there wasn't a history of Miss C obtaining funds from Santander and then failing to consolidate debts elsewhere in the way she committed to.

And I don't agree that Miss C using an overdraft, in a way that she was entitled to, means that she was dependant on credit, or at risk of spiralling debt. In my view there simply wasn't anything in the information that was gathered that highlighted there was a significant risk of Miss C experiencing harm as a result of being provided with this loan.

Bearing in mind the circumstances as well as what the information gathered at the time showed, I disagree that Santander should have assumed Miss C wouldn't repay her overdraft, in the way that the investigator has suggested it should have done. I also think that there was no reason for Santander to believe Miss C might eventually have difficulty managing her overdraft, given she wasn't due to begin paying interest on the facility for a further two years.

I note that Miss C has now said that the loan far exceeded her stated need at the time of her application. However, it ought to have been clear to Miss C that she was applying for a loan of £3,000.00. Indeed, that is the amount of funds that she received after her application was accepted at this stage. As I explained in my provisional decision, I would have expected Miss C to have realised that she was being provided with more than she needed to repay an overdraft which at this stage only had a limit of £1,500.00.

For the sake of completeness, I would also add that Santander was processing an application for her loan. This is a different from it assessing Miss C's overall financial circumstances and providing her with financial advice. Equally, it is not possible to record multiple loan purposes at the time of the application. It is typical for the main purpose of an application to be recorded and I suspect that consolidation was a major reason at this time.

I'm also mindful that Miss C immediately transferred half of the funds from the loan into another account. It's unclear why Miss C did this. But her actions are indicative of Miss C having another purpose in mind for at least half the funds from this loan. As the costs that Miss C has referred to were all contained on the loan agreement that she signed, I can only conclude that she was happy, at the time at least, to accept these costs.

Nonetheless, the most important thing for me to say is that the loan being for £3,000.00 isn't itself a reason for Miss C's complaint to be upheld as long as Santander was reasonably entitled to conclude the repayments were affordable.

Miss C wasn't being provided with what would typically be regarded as a high interest loan, a high amount of credit and she wasn't significantly indebted either. In my view, when this is combined with the low monthly payment and the fact that there were no obvious signs of difficulty in the credit checks Santander carried out, I think that the checks carried out were reasonable and proportionate.

That said, even if I were to agree with the investigator that Santander needed to do more here, I'm not persuaded that Santander carrying out further checks would more likely than not have made a difference. I say this because what I've been able to see for Miss C's living expenses and committed expenditure at this time was low.

Equally, when Miss C's committed expenditure is deducted from the funds she received, I'm satisfied that she still had enough to make the low monthly repayments - of around £84 - required for this loan. I'm not persuaded that the repayments here could only be made on the basis of Miss C failing to meet her committed and contracted payments.

Furthermore, as I explained in my provisional decision, the vast majority of Miss C's actual expenditure was made up of her discretionary spending at this stage. As Miss C didn't have a history of repeatedly applying for consolidation loans and then failing to reduce her discretionary spend at this stage, I don't think that there was any reason for Santander to conclude that Miss C wouldn't be able to make her repayments.

Therefore, I'm satisfied that Santander is still likely to have lent to Miss C even if it had found out more about her actual living expenses, rather than relied on what she said.

In reaching my conclusions, I've also considered whether the lending relationship between Santander and Miss C might have been unfair to Miss C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied that Santander did not irresponsibly lend to Miss C or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I'm satisfied that Santander didn't treat Miss C unfairly or unreasonably when lending to her. And I'm not upholding Miss C's complaint. I appreciate this is likely to be very disappointing for Miss C. This is particularly bearing in mind our investigator's assessment said that she shouldn't have been provided with this loan.

However, I'm required to consider the facts of a complaint and reach my own independent conclusions. I cannot uphold a complaint simply because an investigator reached, what I consider to be, an incorrect outcome even though I can understand why Miss C may prefer the investigator's interpretation of the facts and her answer. So I hope Miss C will

understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained above and in my final decision of 2 October 2025, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 November 2025.

Jeshen Narayanan
Ombudsman