

The complaint

Mr B says Santander Consumer (UK) Plc trading as Santander Consumer Finance ('Santander'), irresponsibly lent to him. Mr B says that it didn't take reasonable steps to ensure he could afford the repayments towards a conditional sale agreement to purchase a car. He says that proportionate checks were not made, and if they had been, Santander would have seen that he couldn't afford the lending. He also thinks the relationship was unfair due to the checks not being proportionate.

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

What happened

Our Investigator thought the complaint should be upheld. Santander disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr B's complaint should not be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about a conditional sale agreement that Mr B took out to purchase a car in October 2021. The vehicle had a retail price of £11,847.99. Mr B paid a £1,214.12 deposit meaning £10,633.87 was financed.

This agreement was to be repaid through 48 monthly instalments of £188.50 followed by a final repayment of £4,598.50. Based on the statement of account an outstanding balance remains due. If Mr B made repayments in line with the credit agreement, he would need to repay a total of £14,860.62.

The account was voluntarily terminated in October 2023.

Mr B has complained to Santander saying that the loan was irresponsibly lent. Santander considered this complaint, and it didn't uphold it. It said it'd done proportionate checks, which showed that Mr B could afford the lending. Mr B didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator upheld Mr B's complaint. He thought the loan shouldn't have been approved as Santander didn't do proportionate checks. But if it had made better checks it would've seen that the finance was unaffordable for him and not lent.

Santander didn't agree with the Investigator, and I've noted what it said. Because Santander didn't agree, this matter 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 provisionally 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 Mr B 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 Mr B 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 Mr B'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 Mr B 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.

Santander has shown that it asked Mr B about his employment and living situation and it found out that he had been employed for ten years in the same role. He was living with his partner in a mortgaged property. It said it would have obtained an estimate of his income from a credit reference agency.

It also looked at Mr B's credit reference agency data which showed he had credit balances of £9,400 over eight accounts and a mortgage balance of £156,000. He was paying £304 into his non-mortgage debt, and his mortgage payment was £589. There was no adverse information payment information, or other indicators of financial difficulty.

Santander said it 'auto approved' Mr B for the car finance following these checks. It's not been able to provide all the detail about this approval process due to the passage of time, which isn't unreasonable. But it said this approval process would have taken into consideration Mr B's income and his estimated expenditure using statistical data.

So, whilst Santander has outlined the checks it said it did, it hasn't been able to fully evidence the checks themselves, it only has a summary of the information it gathered. So, I can't be certain of what it considered before lending. Given this I don't think I can say the checks that Santander says it did were reasonable or proportionate.

Would reasonable and proportionate checks have shown that Mr B 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.

Mr B has provided an up-to-date copy of his credit report. As this also shows historic data, I'm satisfied this will give a good indication of what Santander would've seen on the credit file it obtained when it considered his finance application.

However, there's nothing on this report that shows me Santander should've declined his application, or that it should've been unduly concerned about his current financial position. This is because the report confirms the information that Santander had, which is that Mr B wasn't experiencing problems with his existing credit.

Mr B has also provided some information from his bank for the period just before the lending. While I wouldn't have expected Santander to have asked Mr B for this, I'm satisfied that this information gives a good indication of what Santander would likely have taken into consideration had it asked Mr B to verify, or provide more information about, his income and committed expenditure during that specific period.

Our Investigator, and Mr B, have calculated that his average income was just under £2,000 a month, but his average monthly expenditure was about £2,200, so they've concluded that Santander should not have lent as Mr B would be unlikely to afford the new credit.

But I don't think this is entirely the right way to look at Mr B's situation. Firstly, some of the amounts included in the calculation are not committed expenditure and could potentially be adjusted or budgeted for.

Added to this, Mr B has said that he and his wife paid their bills together and they transferred money between each other for this which I can see on Mr B's banking information. So, I don't think it's reasonable to say that Mr B was responsible for all of the bills and expenses that were paid from his account.

I think a better way of considering this situation is to look for signs of financial difficulty. As I've said above his credit reference agency data doesn't show this. He was successfully repaying a mortgage, his existing car finance, and other bills.

Mr B already had a car finance agreement which cost around £250 a month, he'd been repaying this since mid-2019 without a problem. This was replaced with the new agreement which had a lower payment of around £188 a month. So, a starting assumption is that a new lower agreement would be sustainably repayable for him, alongside the associated costs of running a car. As he was already paying for a similar agreement without issue

I've looked at the information from Mr B's his bank statements. Having done this I don't think there is enough to say that Mr B was in financial difficulty. There is no evidence of any missed payments, or related problems.

Mr B was using his overdraft at times, and I've seen occasional use of high cost credit products. And Mr B has said things were 'tight'. But overall, he seems to have been managing his finances and so it wouldn't be right to say this credit was likely to be unaffordable.

Having looked at all of this I don't think I can say that Mr B was having financial problems. And so, I don't think it's likely that if Santander had made better checks it would have seen that the loan was unaffordable.

Did Santander act unfairly or unreasonably in some other way?

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 Mr B or otherwise treated him 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.

Mr B did go on to repay the car finance without problem for several years. But he changed jobs in 2023, and his payments were adjusted. As far as I can see he received the assistance he should have at this time.

I haven't seen anything to make me think Santander acted unfairly or unreasonably in some other way.

Developments

Santander, and Mr B, received my provisional decision. They both didn't have anything to add after they'd seen it. As no agreement was reached, I've gone on to issue my 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.

Santander, and Mr B, didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still don't think that the car finance was lent irresponsibly, for the reasons I gave in my provisional decision, which are above. As no party to the complaint responded, I won't add anything to what I said earlier.

My final decision

For the reasons set out above, I don't uphold Mr B's complaint.

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

Andy Burlinson
Ombudsman