

The complaint

Mrs D complains that Santander UK Plc (Santander) irresponsibly provided her with a credit card account that she could not afford to repay.

What happened

In November 2019, Mrs D applied for a credit card account with Santander. She was given a credit limit of £2,000.

Mrs D complained that Santander should never have provided her with the credit card. She said that appropriate affordability checks hadn't been completed, and if they had Santander would've seen that the credit card was unaffordable for her. Santander didn't think that it had acted unfairly when lending to Mrs D.

Our investigator recommended that the complaint should be upheld. They thought Santander didn't make a fair lending decision when it provided Mrs D with credit. They said Santander's checks didn't take into account Mrs D's housing costs correctly and their calculations showed that Mrs D would be left with very little disposable income.

Santander didn't agree. Briefly, its main points were:

- It estimated Mrs D's housing costs to be more than she had declared. It then halved that estimation, on the assumption that Mrs D was splitting this cost with a partner. It has now reviewed her bank statements and says it can't see she is contributing towards her housing costs and this cost therefore shouldn't affect whether she could afford the borrowing.
- It followed its policy at the time which was based on an affordability ratio and not what surplus is available.

So the complaint has been passed to me for a 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.

Before making a lending decision, Santander was required to complete proportionate checks to ensure the credit it was proposing to provide was affordable. There isn't a set list of checks a lender needs to complete in each and every case. Instead, Santander needed to ensure it did enough based on the specific circumstances of that lending decision. The things Santander needed to consider when deciding what was proportionate included (but wasn't limited to): the type and amount of credit, the size and frequency of the repayments, the cost of the borrowing and Mrs D's circumstances.

Mrs D declared that her annual income was £15,000. Santander says that her monthly income was around £1,145. Santander completed a credit check which revealed no County

Court Judgments or bankruptcy. It also showed that Mrs D had unsecured debt elsewhere totalling around £13,200, for which it estimated she paid around £320 a month towards. Santander said the cost of the monthly repayments towards this credit card would be around £65. Using statistical data, Santander estimated Mrs D spent around £520 on essential living expenses each month. I think the checks completed were proportionate to the lending in the circumstances of this case.

With the above information, Santander's calculations left Mrs D with around £240 each month to spend on housing costs and emergency and unaccounted for spending. Mrs D declared that her monthly housing costs were £300. Santander used statistical data and estimated that her housing costs were higher, but because she was living with a partner, it assumed Mrs D was paying only half towards this. I don't think this was reasonable of Santander. Mrs D herself had explained how much she paid towards housing, which I think was plausible. In the circumstances of this case, I don't think Santander should have disregarded this in favour of a lower estimated figure. Santander's initial checks concluded the lending was unaffordable. It was only once it amended the housing cost figure did it consider the lending to be affordable. I think here Santander had no reason to doubt what Mrs D said she paid and this is the figure that it should've used. It's reasonable to think Mrs D was paying towards her housing costs and I think using a figure of around £200, which was substantially less than Mrs D had declared, was irresponsible of Santander.

However, in this particular case, I think it's irrelevant whether Santander used its estimate of around £200, or the £300 that Mrs D had declared in its calculations. I say this because either way, Mrs D was left with very limited disposable monthly income after making repayments for this credit card. At best and according to Santander's own calculations, Mrs D would only have £36 of disposable income each month. This means that it was most likely she would struggle to afford the repayments towards the borrowing, especially during months where she had any emergency or unaccounted for spending. I think it's reasonable that Santander should've allowed a larger buffer of funds for this. The rules and guidance in place at the time required Santander to ensure Mrs D could sustainably afford the borrowing. Santander has said looking at Mrs D's statements it appears she wasn't paying anything at all towards housing. However, I don't think Santander would've reached this conclusion as part of any proportionate affordability check and I don't think it is entirely clear that she wasn't paying any costs towards housing.

Mrs D had a large amount of unsecured borrowing at the time of the application and very little income in comparison. I think this should've alerted Santander as to whether she could sustainably afford a credit limit of £2,000. Overall, I think Santander should've realised this borrowing would be unsustainable and unaffordable to Mrs D. For this reason, I don't think a fair lending decision was made here.

As Santander provided Mrs D with credit that it shouldn't have, I think it needs to take action to put things right for her.

Putting things right

To put things right for Mrs D, Santander should:

- Re-work the credit card account, removing all interest and charges applied to the account.
- If this re-work results in a credit balance, then it should refund any overpayments to Mrs D, adding 8% simple interest* per year on any refunds from the date of each overpayment to the date of settlement.
- Or, if after the re-work there is a capital balance outstanding, Santander should arrange an affordable repayment plan for the outstanding amount.

- Remove any adverse information recorded on Mrs D's credit file, once the capital amount borrowed has been repaid.

*HM Revenue & Customs requires Santander to take tax off the interest part of my award. If Mrs D asks for one, Santander must give her a certificate showing how much tax it's taken off.

In reaching my conclusions, I've also considered whether the lending relationship between Mrs D and Santander might have been unfair to Mrs D under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I direct Santander to do in the section above results in fair compensation for Mrs D given the overall circumstances of her complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

My final decision

For the reasons given above, I uphold this complaint and direct Santander UK Plc to settle things in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 20 February 2026.

Jenny Hiltunen
Ombudsman