

The complaint

Mr Z believes Santander UK Plc acted irresponsibly by agreeing a loan he'd applied for.

What happened

On 29 December 2022, Santander provided Mr Z with a £10,000 loan, to be repaid over 60 months, with monthly payments of £288.03. Mr Z has complained that Santander didn't act responsibly when approving the loan. He's said that he was subject to financial exploitation due to a scam involving cryptocurrency and money transfers, and that he was suffering from serious health difficulties which impaired his ability to manage his finances and assess risk.

In January 2023, Mr Z entered into a debt management plan. In 2025, he raised a complaint with Santander, but they were satisfied they'd carried out proportionate checks when they approved the loan. Unhappy with this response, Mr Z brought the matter to the Financial Ombudsman Service for investigation.

Our investigator didn't think that Santander had carried out reasonable and proportionate checks, as they had failed to verify Mr Z's income. However, after reviewing what reasonable and proportionate checks would've shown (based on Mr Z's bank statements from September to November 2022), the investigator thought that Santander had made a fair lending decision.

Mr Z didn't agree with the investigator's opinion and provided his bank statement for the period 24 November to 23 December 2022. This showed that he had taken out loans totalling £77,600 in the month before Santander approved their loan. Based on this new information, the investigator thought Santander had acted unreasonably by approving the loan Mr Z applied for. And they thought Santander should rework the loan to remove all interest and charges.

Mr Z accepted the investigator's revised opinion, but Santander didn't. They didn't think there was any requirement for them to validate Mr Z's income, nor to request to see his bank statements. They said that the loans Mr Z took out in December 2022 wouldn't have appeared on his credit file for 30 to 60 days, so it wasn't something they could have reasonably been aware of when approving the application.

Because Santander didn't agree, this matter has been passed to me to decide.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, my decision will be based on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

My role is to decide what's fair and reasonable 'in the round', in line with our service's remit. When considering matters, I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards; codes of practice; and (if appropriate) what I consider was good industry practice at the time. When reaching a decision on what's a fair way to resolve this complaint, I don't have to reach the same view as, for example, a court might reach when considering a breach of contract or misrepresentation.

Mr Z was supplied with a loan by Santander. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide 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 Z 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 Z 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 Z'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 Z 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 reason, amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of the application.

As part of his application, Mr Z had declared an income of £1,750 a month, and no committed monthly expenditure (he was living with his parents at the time and had no housing costs). Santander carried out a credit check which showed that Mr Z had an outstanding balance on two credit cards, and they made an allowance of £860 a month for Mr Z's committed monthly expenditure. However, they maintain their position that it wasn't necessary to verify his income.

I disagree with this, and I'll explain why. Mr Z was taking out a large loan over a substantial period of time – 5 years - which he's said was for a holiday. I consider this to be an unusually long time to pay for a holiday, rather than something like a car or home improvements where the borrower had an 'asset' they will likely benefit from for the term of the loan, so the chances of default are naturally higher. What's more, Mr Z didn't hold any active accounts with Santander at the time, and their checks identified that he hadn't been honest with them about his committed expenditure.

Given this, I consider that reasonable and proportionate checks should've included verification of Mr Z's income to ensure that he was able to sustainably repay the credit over the whole term of the agreement.

Therefore, I've gone on to consider what Santander would likely have found had reasonable and proportionate checks been carried out.

Would reasonable and proportionate checks have shown that Mr Z would be able to repay the credit in a sustainable way?

Mr Z has provided copies of his bank statements for the period 24 August to 23 December 2022. While I wouldn't necessarily have expected Santander to have asked Mr Z for copies of these, and I appreciate that Santander don't agree they should've obtained any bank statements; it's our usual approach to consider the statements as giving a good indication of what Santander would likely have discovered and taken into consideration had they carried out reasonable and proportionate checks.

In this instance the bank statements show that, in addition to his salaried employment, Mr Z was regularly transferring money into his account from a savings account (at a rate greater than he was transferring money into that account) to support his regular expenditure. And he was regularly making use of his overdraft facility. This can be indicative of someone who is in financial difficulties or struggling to manage their finances.

The bank statements also show Mr Z invested almost £15,000 into cryptocurrency in September 2022, and over £17,000 in November 2022. While such investments are not illegal, the value of the investments compared to Mr Z's income should've flagged further investigation – especially given the amount of credit, and the declared reason, Mr Z had applied for – as it's likely Mr Z was investing on borrowed funds.

So, and while I accept Santander's arguments that the £77,600 lending from other providers in December 2022, and a further £6,000 loan clearly showing on Mr Z's bank statement for November 2022, may not have shown on his credit file by the time their loan was approved; I'm satisfied that reasonable and proportionate checks would likely have shown that Mr Z's application shouldn't have been approved as he was struggling financially and borrowing to invest money. As such, Santander need to do something to put things right.

Did Santander act unfairly or unreasonably in some other way?

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

Putting things right

While, for the reasons given, I'm not satisfied that Santander made a fair and reasonable lending decision, Mr Z made use of the money they provided. As such, it's only fair that he pays for this. However, as Santander shouldn't have approved his application, I don't think it's fair that he should pay any interest and charges.

Therefore, if they haven't already done so, Santander should rework the account, removing all interest, charges, and fees that have been applied. They should then calculate how much Mr Z would've owed, after the adjustments above, and should deduct any repayments Mr Z has paid since the account was opened.

If Mr Z has paid more than the adjusted balance, then Santander should:

- refund any surplus balance to Mr Z;
- apply 8% simple yearly interest on the refund, calculated from the date Mr Z made the overpayments to the date of the refund†; and
- remove all adverse entries relating to this agreement from Mr Z's credit file.

However, if any outstanding balance remains, then Santander should:

- if applicable, recover any debt back from any third-party to whom it may've been sold to OR liaise with the debt owner to ensure that all steps are undertaken;
- arrange an affordable repayment plan with Mr Z, while taking into consideration the FCA requirements to treat customers in financial difficulties with forbearance and due consideration; and
- when the debt has been fully repaid, remove all adverse entries relating to this agreement from Mr Z's credit file.

†If HM Revenue & Customs requires Santander to take off tax from this interest, they must give him a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr Z's complaint about Santander UK Plc. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 May 2026.

Andrew Burford
Ombudsman