

## **The complaint**

Miss S complains that Santander UK Plc was irresponsible in its lending to her.

## **What happened**

Miss S was provided with a £5,000 loan by Santander in January 2023. The loan term was 60 months and the monthly repayments were £144.02.

Miss S doesn't think that adequate checks were carried out before the loan was issued and has said that the loan was unaffordable. As she hadn't received a response to her complaint from Santander she referred it to this service.

Santander said that it carried out affordability and credit worthiness checks. It validated Miss S's income and her credit check didn't show any negative information with no recent arrears.

Our investigator looked at the information Santander had received and saw that the credit check showed Miss S had £35,800 of unsecured debt. She thought this meant that further checks should have taken place such as verifying Miss S's expenditure. She noted that Santander had access to Miss S's account statements.

Our investigator then considered what further checks would likely have identified. She looked through Miss S's bank statements for the months leading up to the lending and found that her monthly income was £1,720, much lower than the amount that had been declared. Considering the level of Miss S's expenses that Santander had identified of £2,541 she found that her monthly outgoings exceeded her income. Our investigator further noted that the statements showed Miss S to have a heavy reliance on borrowing, having taken out five loans totalling £25,000 between September and December 2022. Given this, our investigator didn't think that Santander had made a fair lending decision and she upheld this complaint.

Santander didn't agree with our investigator's outcome. It said that the income figure our investigator used didn't include all regular credits into the account. It said that when these were included, Miss S's monthly income was in line with the £3,600 she had declared. It further said that if transfers from other lending were removed, this would still give a monthly income figure of around £3,448. Based on this it said the loan was affordable and said that sufficient checks into the validity of the income were carried out.

Our investigator responded to Santander's comments about the additional credits into Miss S's account however she said that when assessing the sustainability of the loan she thought it fair to only include Miss S's regular income as she didn't think the other payments into the account could be relied on for the term of the loan. Santander disagreed with this position and said the additional credits were part of Miss S's regular income (and that it hadn't included one-off credits). It said it used industry standard techniques to determine when to lend and what proportionate checks were needed. It said its checks were proportionate and gave no reason to suggest that Miss S had inflated her income.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman to issue a decision.

### *My provisional conclusions*

I issued a provisional decision on this complaint. While I came to the same conclusion as our investigator in regard to upholding this complaint, as I included additional reasoning for this, I issued a provisional decision to allow any final comments to be made. The details of my provisional decision are set out below.

*Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.*

*The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.*

*Miss S was provided with a £5,000 loan requiring monthly repayments of around £144. As part of the application process, Santander gathered information about Miss S's income and outgoings and asked the purpose of the loan. Miss S declared a monthly income of £3,600 which Santander confirmed through an income validation and she said the loan was for home improvements.*

*A credit check was carried out which showed no missed payments in the previous six months. Miss S had £29,700 of non-revolving debt and £5,900 of revolving debt. While I note that the credit check showed that Miss S was managing her existing commitments, she did have a relatively high amount of unsecured debt. Miss S banked with Santander and so it would have been able to see that she was mainly operating in her overdraft. The extract from Santander's credit checks show the amount of debt Miss S had outstanding but not when this was taken out. Had this information been included it would have shown that Miss S had taken out several new loans in the months leading up to this lending.*

*Given the level of Miss S's outstanding debts and that she appeared to be becoming increasingly reliant on debt, I think further checks should have taken place to understand more fully her financial circumstances.*

*I note that a validation of Miss S's income took place. Santander had access to Miss S's account statements and so it could have reviewed her income and expenses and her account activity. Had it done so, it would have seen that Miss S had several returned direct debits in the months leading up to the lending, which could suggest she was struggling to manage her finances. She had taken out loans, totalling £23,000 within three months of this loan application as well as taking out funds on her credit card. I think this suggested an increasing reliance on debt. Despite these additional loans, Miss S was still operating in her overdraft which I think should have raised further concerns about Miss S's financial situation and her ability to manage further credit.*

*I have considered the affordability of the loan. Miss S declared a monthly income of £3,600 which Santander validated. Having looked through Miss S's account statements, she received a main income averaging around £1,642 a month and regular payments from another source averaging around £483 a month. Additional to this she was receiving payments from a third party. However, I note the third party she received payments from she also made payments to and taking a net position, she received an average of around £190 a month. Adding these income sources gave a net monthly income of around £2,315. I note*

*there were other payments into the account from an online payment company but there were also payments out and I can't say this appeared to be a regular income. Based on the account statements I have seen, I find the above figure of around £2,315 a reasonable reflection of Miss S's income at the time.*

*Miss S was making payments towards her existing loans of around £1,328 a month. This was around 57% of her income which could raise concerns about the sustainability of further credit. Her other regular expenses such as utilities, insurances, and other living costs such as food, travel and pet care, averaged around £1,300 a month. Deducting these costs from Miss S's income would leave her in a negative position before the cost of this loan was included. I note this would still have been the case had Santander's estimated costs of £2,541 been included in the assessment, Therefore, I do not think that this loan should have been considered sustainably affordable for Miss S.*

*I've also considered whether Santander acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with Miss S 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 Miss S 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.*

Santander responded to my provisional decision. It said that in the three months leading up to the application there were additional regular payments into Miss S's account which it said should be included in Miss S's regular income. It said that taking these into account gave a monthly net income of £3,600 which was in line with the amount Miss S declared. It said that it conducted a detailed assessment of the income and didn't rely solely on the amount Miss S declared.

Santander said that Miss S's outgoings for her existing loans were £810 and £174 for her revolving credit. It said that deducting these and the other costs identified would leave Miss S with around £1,049 of disposable income. It further noted that had my expenses figures been used, Miss S would be left with around £972 of disposable income. It said this was enough to support the loan being affordable.

Santander noted the comment about Miss S's account being overdrawn but said this wasn't of itself an indication of financial vulnerability. It said its checks were proportionate and in line with the regulations and it was satisfied it had made a fair lending 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.

I have considered the comments made by Santander in response to my provisional decision but my conclusions haven't changed. While I note Santander's comments about its checks, as I previously set out, I think given Miss S's level of debt and that she had taken out several new loans in the months leading up to this lending, Santander should have been concerned that Miss S might be becoming increasingly dependent on credit. Given this, before lending I think it should have carried out further checks to ensure the lending would be sustainably affordable for her.

Santander has said that it was reasonable to use an income figure of £3,600 and noted that it didn't rely on the amount declared but that this was assessed by its underwriting team. I accept that Santander carried out additional verification but having looked through Miss S's account statements (which were available to Santander) these show Miss S received a main

income averaging around £1,642 a month and regular payments from another source averaging around £483 a month. This gave an income figure of £2,125. While there were additional payments into the account from a third party, Miss S was also making payments to this third party and so I think it would be reasonable that the net position would be included. The other receipts into the account that Santander has noted weren't regular income. Therefore, as I set out in my provisional decision I think an income figure of around £2,315 would have been reasonable. As this didn't then leave sufficient income for Miss S to make the repayments on the Santander loan, I do not think that this loan should have been considered as sustainably affordable for Miss S.

So, for the reasons I set out in my provisional decision and above, I am upholding this complaint.

### **Putting things right**

As I don't think Santander ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss S should pay back the amount she has borrowed. Therefore, Santander should:

Add up the total repayments Miss S has made and deduct these from the total amount of money Miss S received.

- a) If this results in Miss S having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).<sup>\*</sup> Santander should also remove all adverse information regarding this account from Miss S's credit file.
- b) If any capital balance remains outstanding, then Santander should arrange an affordable and suitable payment plan with Miss S. Once Miss S has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

<sup>\*</sup>HM Revenue & Customs requires Santander to take off tax from this interest. Santander must give Miss S a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that Santander UK Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 14 April 2026.

Jane Archer  
**Ombudsman**