

The complaint

Mr A complains that Santander UK Plc (Santander) irresponsibly gave him two loans which he could not afford to repay.

Mr A is supported in bringing this complaint by a representative. But, for ease, I'll refer to actions and submissions as being those of Mr A himself.

What happened

In July 2019, Mr A applied for a loan with Santander. His application was accepted and he was given a loan for £10,000. In February 2020, Mr A applied for a further loan. Again, his application was accepted and he was given a loan for £15,000.

Mr A complained to Santander in December 2024 to say that it shouldn't have given him the borrowing. He said that had Santander completed appropriate affordability checks it would have seen that the credit was unaffordable for him.

Santander didn't uphold the complaint. It said that it had carried out appropriate checks which showed that Mr A could afford both of the loans.

I sent Mr A and Santander my provisional decision on 21 January 2026. I explained why I was planning to uphold the complaint. I said:

Before each 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 Mr A's circumstances.

Loan one

As part of his application Mr A declared he was employed, earning around £3,050 per month. He also said his essential monthly outgoings were around £1,200. Santander says it used statistical data to estimate Mr A's likely essential expenditure which resulted in a higher figure and it therefore used this higher figure in its calculations. It says it also completed a credit check which showed that Mr A had around £17,100 of existing unsecured credit, for which he was making monthly payments towards of around £430 and that these were all paid on time.

Using the information Santander had gathered from its checks regarding Mr A's income and essential expenditure, and after taking into account the new loan repayments it appears that Mr A had a disposable monthly income of around £980. I think this is a substantial buffer of funds for Mr A to have more than enough money left over for emergency and unaccounted for spending.

Santander provided us with a copy of the credit checks it completed. This showed there was no evidence of any adverse information such as default markers or late payments on any of Mr A's accounts at the time. So I can't say that Santander should have been worried about the way he handled his finances. Further, Mr A already has an account with Santander and having reviewed the account statements, I've not seen any evidence that Mr A was experiencing financial difficulty in the months leading up to the lending decision. Because of this, it appears that Santander completed fair and proportionate checks and made a fair lending decision when it provided Mr A with the first loan of £10,000.

Loan two

I can see from the credit check Santander completed at the time of the second loan application that there was no new adverse information in relation to any of Mr A's accounts.

However, his unsecured credit commitments had significantly increased and had nearly doubled to around £32,500. His monthly repayments towards unsecured debts had also substantially increased to around £1,100 per month (from around £430 per month previously).

Mr A declared his monthly income to be around £3,250 when he applied for the second loan. The checks Santander completed into Mr A's essential outgoings showed that he was likely to be spending around £3,050 per month on unsecured debt and essential living expenses. This means Santander calculated that Mr A's disposable income had substantially decreased since taking out the last loan. Further, his unsecured debts (and monthly repayments towards those) had also substantially increased.

I haven't seen any evidence to show that Santander checked that Mr A would use the loan for debt consolidation. For that reason, it couldn't rely on his existing credit commitments being paid off when calculating affordability. By taking out this second loan Mr A would have been left a low amount of disposable income. Santander were also aware that he had been regularly relying on his overdraft facility in his Santander current account, meaning there was a high likelihood he wouldn't be able to sustainably afford to repay the new borrowing.

Because of this, I'm not satisfied that the checks Santander completed were proportionate to the lending decision made for the second loan. Santander should have done more to establish what the second loan was to be for and to gain a better understanding of Mr A's monthly income and outgoings.

I've reviewed copies of Mr A's account statements to gain a better understanding of whether the second loan was sustainably affordable to Mr A. As Mr A banked with Santander, this is information Santander had available to it at the time of the lending decision. I can see that Santander's estimate of living costs that it took from statistical data was lower than what Mr A's actual essential outgoings were. For example, Mr A had additional regular outgoings which the estimate was unlikely to be aware of, such as child maintenance which was around £250 per month and a monthly payment of £150 to the Court Service. I think that had Santander accounted for these payments it would've realised the loan was unaffordable to Mr A.

I can also see that Mr A did use £8,000 of the second loan to pay off a credit card and around £800 to pay off his Santander overdraft. However, even though he

consolidated his debts in this way, I don't think Mr A had enough funds remaining to be able to sustainably afford the new loan. So, on balance if Santander had done more thorough checks it would have seen that Mr A wouldn't be able to make repayments towards it in a sustainable way and wouldn't have been able to fairly decide to lend to Mr A.

Mr A did not provide any further evidence or comments in response to the provisional decision. However, Santander disagreed with my findings in relation to the second loan and reiterated its main points, which briefly are:

- There was no requirement for Santander to establish how the customer was going to use the borrowing. Nevertheless, Mr A did use the funds to consolidate his debts, as intended.
- The affordability ratio was within acceptable parameters.
- There was no history of any arrears on Mr A's live accounts.
- In between the period of loan one and two, Mr A's unsecured debt levels increased by around £15,000. The second loan application has an affordability ratio of 94 percent, but Mr A's true income was higher than what he declared. So if it had referred the application for income validation, it's likely this would have improved this scoring. Therefore, following verification, Mr A's affordability left no concerns.
- The loan was affordable and the affordability issues are a result of covid and Mr A's partner becoming unemployed.

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.

As neither Mr A or Santander have responded to the provisional decision regarding loan one, I remain satisfied that Santander completed proportionate checks and a fair lending decision was made for the borrowing of £10,000.

I have reviewed Santander's comments regarding how Mr A used the funds from loan two. But, I've explained in the provisional decision why I'm satisfied loan two was lent irresponsibly. That's because, even taking into account Mr A's consolidation of his debts, he didn't have enough funds to sustainably afford the new loan. So, I remain satisfied proportionate affordability checks would more likely than not have shown this.

Santander has mentioned again that there was no history of any arrears on Mr A's live accounts and that it considers the new loan to be affordable following its checks. Santander refers to its own scoring policies, ratios and parameters and has explained that when Mr A's circumstances were considered in line with these, the loan was deemed affordable.

I accepted in the provisional decision that no new adverse information appeared in Mr A's credit check. However, based on everything Santander could see about Mr A's circumstances as a whole, I'm satisfied it ought to have completed more thorough affordability checks before lending. I have seen no new evidence from Santander to demonstrate that this loan was affordable, or that further checks wouldn't have shown that Mr A would struggle to make the repayments in a sustainable way.

I accept that as a result of Mr A's personal circumstances after receiving the borrowing, he may have encountered further financial hardship. However, I remind Santander that the

circumstances are considered at the time of the lending decision. I remain satisfied, for the reasons set out in the provisional decision, that if Santander had done more thorough checks it would have seen that Mr A wouldn't be able to make repayments sustainably towards the second loan. I have not seen any new information or evidence since the provisional decision to persuade me that a fair lending decision was made at that time.

It isn't possible to completely undo the lending decision. However, as I'm satisfied Mr A shouldn't have been given this second loan, I think it's fair and reasonable that he shouldn't have to pay any interest and charges (or any costs for borrowing). But, as he has received the loan capital he borrowed, it's fair he pays that back. So, Santander should rework the loan account removing all interest and charges. And if there's a credit balance as a result, they should refund this to Mr A, together with simple interest calculated at 8% per year from the date of the overpayment to the date of settlement.

I understand Mr A is currently subject to an IVA. It will be up to Mr A to ensure he complies with the terms of his IVA if any refund is payable to him by Santander.

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

Putting things right

I direct Santander UK Plc to:

- Rework Mr A's second loan account, removing all interest and other charges that have been applied; and
- Refund any resulting credit balance to Mr A along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement.

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

My final decision

For the reasons given above, I partially uphold this complaint and direct Santander UK Plc to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 April 2026.

Jenny Hiltunen
Ombudsman