

complaint

Miss L complains that she was given a credit card by Santander UK Plc which was unsuitable for her circumstances.

background

In 2011 Miss L visited a local branch of Santander to ask about an overdraft but was told that she didn't qualify for one. However, she was invited to apply for a credit card with a £3,000 limit. She was in her late teens and had an income of £3,000. She says the bank official completed the form which she signed and she wasn't told anything about the card or how it worked. Miss L subsequently ran up debt which she couldn't repay. The account was frozen in May 2012.

In 2016 she complained to the bank. It rejected the complaint and said credit cards are a non-advised product and the application was based on the affordability details Miss L had provided. The matter was brought to this service where it was investigated by one of our investigators who recommended that it be upheld.

The bank was unable to provide the application form or details of affordability. Miss L's mother, who was acting on her behalf, pointed out that despite the form not being available details of her daughter's income were known. The adjudicator thought it was inappropriate for the bank to have approved a credit card application with a limit that matched Miss L's income.

She didn't think the bank should write off the whole debt as Miss L had made use of the card. However, she recommended that the bank refund all interest and charges up to the point the account was frozen. She also said it should remove the reference to the credit card from Miss L's credit file and set up a suitable repayment plan. The bank agreed to refund the charges and to discuss a repayment plan but refused to remove any reference to the card on Miss L credit file. It said it refused to do so as Miss L was responsible for the spending on the card and it didn't have the affordability assessment.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I am satisfied that it was wrong of the bank to offer Miss L a credit card with a limit which matched her relatively small income. She was in her late teens and not financially aware. The bank should have taken more care. I note it says it would have relied on what she told the official about affordability, but there is no evidence of what was recorded and I am satisfied that simple check would have identified her income was too low to allow her application to succeed. She had already been refused an overdraft as her income was insufficient.

As such I consider the complaint should succeed. The bank has agreed to refund interest and charges which amount to £501.86 and this will be set against her outstanding debt. It has also agreed to discuss a repayment plan which I trust it will do in a positive and sympathetic manner.

It argues that the entry on Miss L credit file should remain since she was responsible for making the correct repayments. While I have some sympathy with this view I consider that, when looked at in the round, the original cause of Miss L ending up in debt was the granting of the card. I agree that she bears some responsibility for the situation in which she finds herself, but given she was a financially naïve teenager at the time I consider that on balance the reference to the credit card should be removed from her credit file.

my final decision

My final decision is that I uphold this complaint and I direct Santander UK Plc to refund interest and charges of £501.86 and use this to reduce Miss L's indebtedness. It should also discuss with her a repayment plan and in doing so it should be positive and sympathetic in helping her resolve their financial difficulties. Finally it should remove the credit file entries for the credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 3 February 2017.

Ivor Graham
ombudsman