

## **complaint**

Mrs V complains that Santander UK Plc acted irresponsibly when it made four personal loans to her.

## **background**

Mrs V took out three loans from the bank between December 2005 and January 2009. The second and third loans each repaid the previous loan and provided extra funds. The third loan was settled with a lump sum payment in May 2008. In June 2009 she took out another loan, which was settled two years later in May 2011.

In 2011 Mrs V complained to the bank about the affordability of the loans. Her representatives said that she had struggled to manage the loan and credit card repayments simultaneously, and she had used the credit card to meet the loan repayments. Santander said that Mrs V had advised that all the loans were for the purpose of debt consolidation and it did not agree that the lending was irresponsible. Unhappy with the bank's response, Mrs V brought her complaint to this service.

Our adjudicator did not recommend that the complaint should be upheld. Briefly, she said:

- Mrs V successfully met the repayments of each loan by direct debit until the loans were refinanced. The third and fourth loans were ultimately settled early with lump sum payments.
- Most of the loan funds were used for the purpose of repaying Mrs V's credit card. She continued to use the credit card account actively. That was of course her right, but the bank cannot be held responsible for how she chose to manage her finances.
- The adjudicator could not see that that bank lent Mrs V more than she needed to repay her existing debt. The adjudicator therefore could not agree that the bank offered Mrs V loans that were higher than for debt consolidation.
- Having looked at Mrs V's current account statements alongside her credit card statements, the adjudicator could not see any evidence of financial difficulties during the time she had the loans. She could not see that Mrs V made any payments to her loan account using her credit card.
- The adjudicator could not see any evidence that would suggest the loans were unaffordable. Mrs V was in receipt of a monthly income. She successfully kept up with the loan repayments and all the accounts have been settled.

Mrs V did not agree with the adjudicator's conclusions. Her representatives said, in summary:

- The bank advised Mrs V to take out a higher loan and to use the extra funds for 'personal use'. It was irresponsible to do this where a customer is attempting to consolidate existing debts to manage her finances.
- Mrs V and her husband now live off his pension credits and housing benefit. In 2011 they had to switch their mortgage to interest-only and in 2012 had to contact an advice agency for help with their financial difficulties.

- Mrs V believes she is being penalised for paying off debts with lump sums from retirement and redundancy, which has left her in more financial difficulty.

### **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so I have come to the same conclusions as the adjudicator, for much the same reasons.

The evidence from Mrs V's accounts shows that all four loans were used almost entirely to pay off existing loan and credit card debts. I cannot see that the bank lent her extra amounts for spending.

I am sorry to hear of the financial difficulties Mrs V and her husband have had recently. But the last of the loans in this complaint was paid off in June 2011, and I do not think events that happened since then can show that those loans were unaffordable.

Mrs V feels she is being penalised for paying off her loans with lump sums. Presumably she means that she would still have the lump sums now if she had not used them to pay off the loans. But there is no evidence that she was having difficulties with the monthly repayments before she made the lump sum payments, so I assume she chose to make them when the pension and redundancy funds became available. In other words it was a response to their changed employment circumstances, and was not a result of any existing difficulties with the loan. Reducing her monthly outgoings seems to have been a sensible use of the lump sums, and cannot see that Mrs V suffered any financial loss as a result of paying off the loans early.

There is no getting away from the facts that Mrs V was able to keep up the repayments on her loans and she was then able to pay them off. She did not make payments to the loans from her credit card, and her current account shows no evidence of financial difficulties. For these reasons I cannot say that the lending was unaffordable.

### **my final decision**

My final decision is that I do not uphold this complaint.

Colin Brown  
**ombudsman**