Financial Ombudsman Service

complaint

Mr D complained that Santander UK Plc acted irresponsibly by lending him £7,000 without doing sufficient checks on his finances.

Mr D has brought this complaint to our service with the support of a representative, Mrs D. To keep things simple I've referred to him and his representative collectively as "Mr D" throughout this decision, except where specified.

background

Mr D applied for a £7,000 loan from Santander in March 2018 which was approved.

Mr D said he was experiencing financial difficulties and regularly using online gambling sites. He said Santander asked for a copy of his bank statement for the account he held with a different provider that the loan amount would be paid into. Mr D said this statement should've highlighted that he was in financial difficulty and gambling regularly.

Santander said the loan was approved prior to receiving a copy of Mr D's bank statement, and that all proportionate credit checks were carried out. But Mr D disagrees.

Mr D said Santander requested his bank statement for verification purposes. He also said Santander explained it may withdraw the loan agreement at any time if it receives information that affects its decision to lend.

Santander said it wouldn't have used Mr D's bank statement as all proportionate checks had already been carried out. It also said that Mr D is continuing to pay and maintain the regular instalments towards the loan.

Santander said should Mr D have any issues with meeting the payments, he would need to contact it to discuss his circumstances. Mr D's representative said she's supporting Mr D to repay the monthly instalments.

Mr D brought a complaint to our service and one of our investigators looked at what happened. She expressed her sympathies with Mr D's situation but didn't uphold the complaint.

She looked at the application Mr D filled in that Santander used in part to decide whether or not to lend to him. She was satisfied that proportionate credit checks were carried out and didn't agree Santander had acted irresponsibly. Mr D didn't agree and asked me to make a decision.

Our service contacted Santander shortly after our investigator issued their view. We asked Santander to review the information Mr D had provided within his bank statement given it showed he was in his overdraft and had multiple gambling transactions.

Santander said it remained of the view it had acted fairly by approving Mr D's loan application based on the information he provided. However, it offered to write off the interest so Mr D would only be required to repay the loan capital as it considered he had used the money from the loan. Our investigator put this to Mr D and endorsed this, but he didn't accept this and maintained that Santander acted irresponsibly and should write off the loan in full including the interest.

Mr D's representative responded to explain the impact Mr D's situation has had on both of them. And asked that an ombudsman decide the case.

my findings

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

It's important to say that each bank is free to set its own lending criteria and to choose its own appetite for risk. An important factor to establishing whether someone meets the criteria to lend is informed by proportionate credit checks. And in this case, I'm satisfied Santander carried out those checks appropriately during the loan application.

Part of the online application process required Mr D to disclose his monthly income, expenditure and details about what the loan was for. Mr D said the loan was for home improvements. I can also see checks were carried out which met Santander's affordability criteria.

The checks carried out by Santander didn't highlight any inconsistencies between what Mr D had provided within his online application, and the information on his credit file.

Mr D had to provide a bank statement because the loan was due to be credited to an account with a different provider. Santander said at this point the loan had already been approved, but it sent Mr D a letter that said if any information comes to light that changes its decision to lend, it withheld the right to decline the loan application.

Mr D said the bank statement would've shown that he was in his overdraft, which I understand was less than the loan value, and he had multiple gambling transactions. But given the criteria had been checked and met, I don't think a further check of Mr D's bank statement would've been proportionate here.

I say this because Mr D provided correct information about his income and expenditure. And this was checked against his credit file, which was consistent with the information shown on his application. Mr D then provided incorrect information to Santander about the purpose of the loan. And Santander acted on this information as an applicant is required to provide accurate information. So, whilst I know this will disappoint Mr D, I don't think it acted unreasonable in relying on the information he provided.

Santander reconsidered its position after our investigator issued her view and offered to write off the interest on the loan. But it said as Mr D has used the funds from the loan it wouldn't be fair to write off the loan capital. Mr D hasn't missed a payment either which it said further evidenced that the loan was affordable. And based on Mr D's income and expenditure I'm satisfied that its lending decision was fair and reasonable.

Mrs D has said she's needed to support Mr D with payments, and so I understand this has also impacted her which I sympathise with. But I won't be able to consider the impact this has had on Mrs D as Mr D is the consumer of the loan and therefore the sole complainant in this case.

Overall, Mr D provided information to Santander that was used to approve the loan. It wasn't aware that Mr D had a gambling problem, and I must add that just because a statement shows a number of gambling transactions, this doesn't mean a bank must consider that the account holder has a gambling problem.

As Mr D has used the money from the loan, it wouldn't be fair or reasonable for me to require Santander to write off the debt. Our general approach to these types of cases is to require a bank to waive any interest and charges and enable Mr D to repay the capital, given he's had use of the funds he applied for. And, in the circumstances of this case I endorse this offer and won't be asking Santander to do anything else.

my final decision

My final decision is I uphold this complaint. I required Santander UK Plc to waive the interest and refund any charges. Mr D will need to repay the loan capital.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 October 2019.

Martyn Tomkins
Ombudsman