

complaint

Mr M complains Santander UK Plc ("Santander") acted irresponsibly when they approved an arranged overdraft facility with a £250 limit when he opened a current account with them.

background

I issued a provisional decision in this case on 28 January 2020. I've attached a copy to this decision. It set out my provisional conclusions.

Santander told us they had no further comments, or additional information. Mr M told us he disputed the findings. He thought there was a clear lack of substance to Santander's points. He asked for a number of points to be passed to the ombudsman.

- The credit he'd applied for was for varying lengths not just for six months,
- He'd chosen this product because of the overdraft and he knew it would give him access to funds which he badly needed and was desperate for,
- He wasn't aware of the costs and interest that went along with the product. He wasn't given the necessary information about the overdraft and about the costs involved which would've made him very aware of what was involved with the overdraft and product overall,
- Santander should have done more checks on his application given the number of applications and amounts of credit he'd recently obtained.

Mr M thought overall Santander should have seen a desperate person applying for further credit which would throw them into further debt and financial trouble.

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've considered Mr M's points very carefully. I don't doubt what he's told us about being desperate for money at the time and how that informed his choice of the product with overdraft and his behaviour on the account once it was opened. But from the information available to Santander at the time I don't think they could've known this for a number of reasons.

I can't see any reference to Mr M telling Santander of this desperation at the time. He only disclosed his financial problems to Santander *after* the account had been opened and the money withdrawn.

I appreciate Mr M's sent us extracts of information from his credit file – by way of a series of screen shots he'd selected - in June 2019. That shows some of the other applications for lending in 2018 were to named businesses known to provide high cost credit. But that *information wasn't available* to Santander in September 2018. The *information that was available* at the time of the application in September 2018 didn't give the company details like these screen shots. It simply listed the nature of the product - say a store card, bank account or an unsecured loan. That information showed the majority of accounts – seven out of ten listed – with a satisfactory or unclassified status. Of the other three accounts the worst status showing was a two months delinquency on two accounts, both of which had been settled a number of months before despite one of them being in an arrangement. And the

accounts that weren't settled were being managed within their terms or had a nil balance. So based on this - and on the information Mr M provided about his circumstances - I think the checks that Santander carried out here were reasonable and proportionate.

The information from Santander satisfies me that, as part of the online application process, Mr M was provided with the terms and conditions on the account and the Key Facts Document. I'm satisfied he was also sent a letter dated 5 September 2018 about the arranged overdraft explaining the costs involved. So I'm not persuaded Mr M wasn't aware of the cost and the interest that went along with this overdraft when he opened the account.

So, although I anticipate Mr M will disagree with me, there's nothing before me which suggest Santander were irresponsible in their lending. So there's nothing which changes my conclusions and I don't see any reason to alter my view.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 April 2020.

Annabel O'Sullivan
ombudsman

complaint

Mr M complains Santander UK Plc ("Santander") acted irresponsibly when they approved an arranged overdraft facility with a £250 limit when he opened a current account with them.

background

On 5 September 2018 Mr M applied to open a current account with Santander with an approved overdraft facility of £250. The application was successful. Mr M brought his concerns to us as he was unhappy when Santander rejected his complaint in March 2018. Mr M felt as he had several other loans, credit cards and overdrafts it was irresponsible for Santander to approve the overdraft facility on this account.

Santander told Mr M when he applied online for the account he met the requirements for overdraft so was allowed this borrowing in accordance with their policies. Santander thought they'd correctly applied the fees to Mr M's account and acted in line with the terms and conditions on the account. So they told him they didn't accept his claim that they'd acted inappropriately and caused the account to fall into an unarranged overdraft.

Our investigator upheld this complaint. He thought the six applications Mr M made for lending facilities in the six months before his application to Santander should have been flagged as a potential sign of financial strain and should have caused Santander to investigate further. But the investigator didn't feel any compensation for trouble and upset should be awarded here as he found the income and commitments Mr M gave to Santander during his online application were reasonable to the £250 overdraft granted. The investigator thought due to Mr M's inability to make payments Santander should refund the charges which had accrued on the overdraft. And that the overdraft should be removed to prevent further charges accruing. And that a payment plan which was affordable for Mr M should be set up to repay the money he'd borrowed.

Mr M told us he accepted the decision even though he disagreed with it. Santander didn't accept it and asked for an ombudsman to review the case. They made a number of points.

- Their decision was based on the facts provided by Mr M and the Credit Reference Agencies ("CRA") and if the customer confirmed to Santander they can afford the credit product and there are no adverse entries in the credit file there would be no clear reason to decline the application
- It was Mr M's responsibility to provide correct information regarding his financial status. The credit checks carried out didn't mean the application was automatically referred to an underwriter and in this case the application was system approved in line with Santander's policy and process.
- The other credit products Mr M had applied for were over a period of six months and as such didn't raise concerns.
- Mr M had been free to apply for a different product from Santander but had chosen to apply for this particular account with an overdraft.
- The investigator had confirmed that the information Santander had received from Mr M about his employment, income and outgoings suggested he could afford this product.
- The fact that Mr M chose this account and overdraft – when he'd been free to apply for a different product from Santander – along with his confirmation that he could afford it suggested he was aware of the product he was applying for.
- From the data present Santander thought there was nothing to support that they'd been irresponsible in their lending. The records of the account showed Mr M simply withdrew the £250 balance in September 2018 and paid money in the following month but then ceased to fund the account.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm of the provisional view that this isn't a complaint which I can properly uphold. I'll explain why.

Ultimately it's for a bank to decide what affordability criteria to apply and what risk it was willing to take when it lends money. But the industry rules and guidance for lenders – although not giving a set list of checks - says checks must be proportionate and give examples of factors to be considered. So I've gone on to consider whether Santander completed reasonable and proportionate checks to satisfy itself that Mr M would be able to repay his overdraft in a sustainable way.

Everyone accepts, based on the information Mr M gave about his income and expenditure, the overdraft facility was affordable and reasonable. Santander has provided evidence that the account and overdraft applications were made online, and that Mr M met their lending and affordability criteria. On the basis of this, and other information provided by Mr M himself as to his personal circumstances, employment, income and expenditure, Mr M qualified for the overdraft amount he'd applied for.

I don't agree with the suggestion – by both Mr M and our investigator - that Santander should have done more checks following the credit search. The records from Santander satisfy me that the checks they carried out here were reasonable and proportionate. And I think Santander's decision to open the account with the overdraft facility for £250 was a fair one bearing in mind the information they'd received for the CRA's checks from Mr M himself about his circumstances.

The terms of this account required Mr M to pay at least £500 a month in and to have two active direct debits running. I've seen no evidence that he's complied with this. There's no suggestion Mr M wasn't given the necessary information about the overdraft, its costs and the general terms and conditions of this account. So I can't find there's any reason to challenge the interest or charges applied. But I'll consider any further information either party send me by the deadline below.

I'm aware Mr M feels strongly about Santander's conduct. But I hope I've explained why, on the information before me at present, I'm not persuaded this is a complaint I can fairly and reasonably uphold. Mr M chose to spend the money he borrowed and has had the benefit of it. Currently I'm not satisfied Santander acted irresponsibly when it approved his application for a current account with and overdraft facility.

my provisional decision

My provisional decision is that, subject to anything further that Mr M or Santander UK Plc send me by 28 February 2020, I'm planning not to uphold this complaint.

Annabel O'Sullivan
ombudsman