

The complaint

Mrs P complains that Santander UK Plc lent to her irresponsibly.

What happened

In December 2020, Mrs P applied for and received a loan of £6,000. It was to be repaid in 36 monthly instalments of £204.98. She says that at the time, she was struggling financially and, if Santander had properly reviewed her circumstances, it ought to have refused to lend to her. Mrs P complained to Santander in May 2023.

Santander looked into her complaint and issued its final response. It said it had checked her credit file data, banking history and income and expenditure, and it was satisfied the loan was affordable at the time. Santander rejected Mrs P's complaint.

Mrs P was unhappy with Santander's response, so she referred her complaint to our service. One of our investigators looked into it. He said Santander had carried out reasonable checks to ensure the loan would be affordable for Mrs P. He didn't uphold her complaint.

Santander accepted what our investigator said, but Mrs P didn't. She said (in summary) her income was overstated on the application, she had various other lines of credit already, and had Santander checked her account, it would have seen numerous transactions to trading platforms. As there was no agreement, the complaint has been passed to me for a decision.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Santander needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mrs P irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Santander carry out reasonable and proportionate checks to satisfy itself that Mrs P was in a position to sustainably repay the loan? Did Santander make a fair lending decision?
- Did Santander act unfairly or unreasonably towards Mrs P in some other way?

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Santander carry out reasonable and proportionate checks to satisfy itself that Mrs P was in a position to sustainably repay the loan? Did Santander make a fair lending decision?

When it assessed Mrs P's application for the loan, Santander checked her credit file, income and expenditure details as well as its own records to reach a decision whether or not to lend to her. It said it had also taken into account what it knew about Mrs P from its own records which, in my experience, will have included a review of her account performance with it.

Mrs P's credit report showed two late payments over a year ago but that she was up to date with her existing credit commitments at the time of the application. It says she had quoted her net monthly income as £2,300 with outgoings of £800. Santander used a higher figure for expenditure of £1,472 and felt the monthly repayment of £205 was affordable for her.

Mrs P has pointed out that her income was more like £1,900 - £2,000 per month rather than the £2,300 quoted on her application, she had various lines of credit already and had made numerous transactions to trading platforms. I can see from Mrs P's statements that her earned income was indeed lower than that quoted on her application form. But taking into account her true income figure, based on Santander's calculation of her expenditure (which was higher than she'd quoted) she still had sufficient disposable income to cover the payments to the new loan.

Santander conducted a review of her credit file so was aware of her other commitments and their repayments. In my view, the presence of other creditors alone is not an indication of financial problems provided repayments to those debts (and any new facilities applied for) are affordable and taken into account in decision making.

While I can see from her statements that Mrs P did make some payments to trading platforms, I've not seen anything which leads me to think Santander ought to have been concerned about the level of those transactions.

Overall, I think Santander carried out reasonable and proportionate checks on Mrs P's application for the loan. As set out above, it appeared the new loan was affordable for her. I've seen nothing which makes me think it ought to have looked further into her application before agreeing to lend. It follows that I think it reached a fair lending decision.

Did Santander act unfairly or unreasonably towards Mrs P in some other way?

I've carefully read and thought about all the evidence provided by each party to this complaint. Having done so, I don't think Santander has acted unfairly or unreasonably towards Mrs P in some other way.

I appreciate my decision will come as a disappointment to Mrs P but I hope my explanation is helpful. If she now finds herself in financial difficulties and unable to repay the loan, I'd encourage her to speak with Santander to agree an affordable repayment plan. I'd also remind Santander of its obligation to treat customers in financial difficulty fairly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 24 January 2024.

Richard Hale
Ombudsman