

## **Complaint**

Miss C has complained about a loan Santander UK Plc (“Santander”) which she says was unfairly lent to her. She says the loan was never affordable and so should never have been provided to her.

## **Background**

Miss C has also complained about an overdraft that Santander provided to her. However, we’ve already explained that that complaint is being looked at separately. And this decision is only looking at whether Santander acted fairly and reasonably when providing Miss C with her loan.

Santander provided Miss C with a loan for £5,000.00 in February 2020. This loan had an APR of 24.9% and a term of 24 months. This meant that the total amount to be repaid of £6,251.52, which included interest fees and charges of £1,251.52, was due to be repaid in 24 monthly instalments of around £260.48.

One of our investigators reviewed what Miss C and Santander had told us. He thought that Santander hadn’t acted unfairly by providing this loan to Miss C and so didn’t think that the complaint should be upheld.

Miss C disagreed with our investigator and asked for an ombudsman to review her complaint.

## **My findings**

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss C’s complaint.

Having considered everything, I’ve not been persuaded to uphold Miss C’s complaint. I’ll explain why in a little more detail.

Santander needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Santander needed to carry out proportionate checks to be able to understand whether Miss C could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of

it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to provide loans to a customer irresponsibly.

Santander says Miss C's loan application was after she provided details of her monthly income and information on her expenditure. It says it cross-checked Miss C's declarations against information on a credit search it carried out. In Santander's view, the information it gathered showed that Miss C could afford to make the repayments she was committing to.

On the other hand, Miss C has said she was already struggling and couldn't afford this loan.

I've carefully thought about what Miss C and Santander have said.

It's clear that Santander did obtain a significant amount of information before it decided to proceed with Miss C's application. And this information does appear to suggest that, at the time at least, the monthly loan repayments were affordable for Miss C. I accept that Miss C did have outstanding debts. However, having considered the information provided it's clear that Miss C there was, at the time at least, an intention to use the funds from this loan to reduce her existing debts.

Miss C says that she didn't reduce her debts elsewhere and this loan increased what she owed. I don't know if Miss C did reduce her debts or whether she went on to apply for further credit or loans elsewhere after this application. But the key thing here is the intention at the time not what actually happened, as Santander could only make a reasonable decision based on the information it had available at the time. It simply couldn't know what might happen in the future.

I'm satisfied that the proceeds of this loan could and should have been used to reduce or clear the balances on some of Miss C's existing accounts in the way that Miss C had committed to. It's also worth noting that as this was a first loan Santander was providing to Miss C, there wasn't a history of Miss C obtaining funds and then failing to consolidate debts elsewhere in the way she committed to. I don't think that Miss C's use of a student and then graduate overdraft in the period leading up to this application changes this.

So Santander was reasonably entitled to believe that Miss C would be left in a better position after being provided with this loan – particular given that the information gathered prior to the application pointed to this being the case.

I accept it's possible that, as Miss C says, Miss C's full circumstances may not be reflected in the information Santander gathered or in the information she has since provided. For example, I note that Miss C eventually went into an individual voluntary arrangement ("IVA"). However, Santander won't have known that this would happen. Particularly as the expectation was for Miss C to consolidate her existing commitments into this loan. Furthermore, I'm afraid that this Miss C going into an IVA doesn't in itself mean that this loan was unaffordable.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that Santander did anything wrong when providing this loan to Miss C - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. I don't think that Santander could reasonably have realised that Miss C didn't have the funds to make the repayments to this loan.

Overall and having considered everything, I don't think that Santander acted unfairly or unreasonably when lending to Miss C. As this is the case, I cannot reasonably and do not uphold this complaint. I appreciate this is likely to be very disappointing for Miss C as its

clear she feels strongly about this matter. I'm also sorry to hear that she's experienced difficulty too. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 10 June 2024.

Jeshen Narayanan  
**Ombudsman**