

The complaint

Miss N complains that Santander UK Plc (“Santander”) didn’t complete adequate affordability checks and had it done so, it would have seen the loan offered and advanced to her (by it) was unaffordable.

Miss N says she was in financial difficulty at the relevant time, and this would/should have been evident from her credit file and bank statements.

What happened

Miss N applied for a personal loan with Santander on 28 June 2022 and was approved. The loan was for £9,100 and was to be repaid over 48 months with monthly instalments of £256.58.

The last correspondence from Santander shows Miss N’s loan was active with an outstanding balance of £6,238.37 as of 14 March 2024.

Following Miss N’s complaint, Santander wrote to her and explained it wasn’t upholding it. Unhappy with this response, Miss N referred the complaint to us.

Our investigator did not uphold Miss N’s complaint. They said that Santander should have done further checks before approving Miss N’s loan (given the level of her outstanding debt and the amount of her declared income) but further checks wouldn’t have, nor should it have, caused it to conclude (on the grounds of affordability) that it shouldn’t lend to her.

Santander agreed with the investigator’s opinion. Miss N didn’t agree. She provided further bank statements for the investigator to consider as well as a breakdown of her outgoings. Miss N said she had less income and more essential outgoings than what the investigator had noted. She asked the investigator to reconsider her complaint.

Subsequently, the investigator issued a second opinion explaining the reasons why these comments hadn’t changed their mind about the outcome. Santander told us it had nothing further to add and Miss N said she didn’t accept the outcome.

As Miss N didn’t agree, the case has been passed to me to make a decision.

On 6 August 2024 I issued a provisional decision on this case. In summary I said:

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

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Santander will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Having carefully looked at everything provided by both parties, I've provisionally decided not to uphold Miss N's complaint. I've explained why below.

Miss N was approved a £9,100 loan with an APR of 16.9%. The total cost of the loan was £12,315.84 which included interest of £3,215.84.

As part of Miss N's application, she declared she was receiving a gross annual income of £32,400, was a rental tenant and that her outgoings were £680 a month. Miss N also declared that the loan was for debt consolidation purposes.

Santander says it considered Miss N's income against her estimated outgoings, using a combination of Office of National Statistics (ONS) data which uses national averages as well as credit bureau data to estimate her outgoings based on her circumstances. Santander also considered Miss N's overall level of debt compared to her income, and it also carried out a credit check.

Santander says it could see Miss N had unsecured credit commitments amounting to £19,231. This was made up of four credit cards with outstanding balances totalling £15,071, an overdraft balance of £502, a fixed term credit sale with a balance of £444, a mail order account with a balance of £287 and a communications retailer balance of £2,927.

Santander converted Miss N's declared gross annual income of £32,400 into a monthly net income of £2,141. It also calculated that Miss N was making monthly repayments of £591 towards her credit commitments based on the results of the credit check. Santander also noted Miss N's monthly expenditure as £763 based on ONS averages and that her accommodation costs were £265.

After doing so, Santander noted that Miss N's monthly outgoings amounted to £1,867 which included the loan repayments for this loan of £257. This would have left Miss N with a disposable monthly income of £274 after all these outgoings. Santander concluded that the loan repayments were affordable for Miss N.

I've thought about our investigator's reasons for concluding that Santander did not complete proportionate checks. They specifically said that Miss N's external debt amounted to 59% of her annual income and therefore, this should have warranted further checks before Santander approved her loan. I've thought about this carefully, but I'm of a different opinion to that of the investigator. I will now go on to explain why.

Santander has provided the details of the credit check it completed at the time of Miss N's application. This showed Miss N had five credit cards with credit limits totalling £19,300. Miss N was utilising £15,071 of these limits and so was utilising around 78% of her limits. Furthermore, one of these credit cards had no outstanding balance.

Miss N also held one fixed term credit account with a balance of £444 and repayments of £55. She also held three mail order accounts, although two of these accounts had no outstanding balance. The balance on one of these mail order accounts was £287 and fairly small in comparison to the credit limit of £4,000. Miss N also held a communications account with an outstanding balance of £2,927 and a utility account.

The credit checks also revealed Miss N held three current accounts, of which two accounts held overdrafts. One account held an overdraft of £1,000 with a debt balance of £0 at the time of Miss N's application, and the other account held an overdraft limit of £550 of which she was utilising £502 of this limit.

Having considered the results of Miss N's credit check, I'm satisfied that Santander considered all her credit commitments that were present. Santander noted that Miss N's monthly repayments towards her credit commitments were around £591, and I don't find this an unreasonable conclusion based on the information it received from the credit check.

I can't conclude that Miss N's utilisation on her credit cards as well as her overall credit commitments were enough to warrant additional checks from Santander, such as verifying the information she told it about her circumstances. I acknowledge that Miss N says she was regularly using her £1,000 overdraft and was going over the limit. The credit check results revealed no signs that Miss N was experiencing financial difficulties managing her existing credit obligations, such as recent missed repayments and defaults. I'm also mindful that Miss N told Santander that this loan was to be used for debt consolidation purposes. This suggested she was going to use the loan to consolidate some existing credit and therefore, would have reduced her outgoings.

I'm sorry to hear Miss N's circumstances were more difficult than Santander was aware of, and that this loan contributed to further financial difficulties for her. I have considered whether there were any signs that Miss N would struggle to afford as well as sustain these loan repayments, but I can't fairly conclude that Santander received information about her finances suggesting this would be the case.

My provisional decision is to not uphold Miss N's complaint for the reasons given above. I appreciate that Miss N will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that Santander made an unfair lending decision.

Other considerations

Miss N has told us she has ADHD and issues with her finances as a result of this. Santander has told us it was first made aware of Miss N's health when she made a complaint about this loan. So, going forwards, as Santander is now aware, it will need to take into consideration any reasonable adjustments that Miss N may require whilst she is repaying her loan.

Did Santander act unfairly in any other way

I've also considered whether Santander acted unfairly or unreasonably in any other way, including whether the relationship between Miss N and Santander might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Santander lent irresponsibly to Miss N or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Neither Santander nor Miss N responded to my provisional 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.

As I haven't any new evidence to consider from either Santander or Miss N, I see no reason to depart from my provisional findings and I now confirm them as final.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 1 October 2024.

Paul Hamber
Ombudsman