

The complaint

Mr M complains that Santander UK Plc lent to him irresponsibly when they provided him with a loan for £10,000 in 2022. He's also unhappy with further issues that have arisen since the investigator issued their initial opinion.

What happened

Mr M took out a loan with Santander in June 2022. The loan was for £10,000 and was repayable over a period of 60 months. In April 2023, Mr M complained. He said he should've never been provided with the loan, as it should've been clear to Santander that he had high levels of existing credit, and it would've clearly been unaffordable for him. He's also unhappy that his original application was declined and then overturned.

Santander responded. They said they were satisfied they'd carried out proportionate checks prior to lending to Mr M, and that based on the results of those checks, there was nothing to suggest the lending was unaffordable. They also explained that the reason the initial application was declined was due to an address discrepancy, which, once corrected, allowed the loan to be approved.

Unhappy with Santander's response, Mr M brought his complaint to our service.

An investigator considered Mr M's complaint and agreed it should be upheld. He said that while he felt the checks carried out were proportionate, he thinks there was sufficient evidence from the results of those checks, to conclude that the lending would've been unaffordable for Mr M. He recommended, broadly speaking, that Santander refund any interest paid on the loan over and above the capital borrowed, and to add 8% simple interest to any overpayments; or, if the capital had not yet been repaid, then a payment plan be arranged to clear the outstanding balance. He also said Santander should clear any adverse information from Mr M's credit file, once any outstanding capital had been repaid in full.

Both parties agreed with the investigator's findings and the complaint was closed.

Following the parties agreeing, Mr M reached out to our service and said that he remained unhappy. He said, he was still being chased for monies by a third-party solicitor, despite Santander accepting the Investigator's opinion; and, he said that Santander had not been in touch to agree a repayment plan.

The investigator considered matters further and established that Santander were allowing the third-party to manage the repayment plan. But in light of Mr M's most recent comments, Santander agreed to bring the debt back in house, and said that someone would contact him to arrange a repayment plan within the next few days. But a week later, Mr M contacted our service to say that he didn't accept this solution, and that he had still not heard from Santander in respect of the plan.

The investigator checked with Santander, and they confirmed the debt had been brought back in house, and they explained that there may have been a small crossover in them bringing the debt back, and Mr M receiving communications from the third-party. They

explained however, that as the account had defaulted, no formal arrangement would be made, but Mr M could contact them to confirm what he could afford to repay, and that could be set on the account.

Shortly after this, Mr M reached out again to say he was still receiving chasers from a third-party, so the investigator looked into matters further. He reached out to Santander, who apologised, and explained that due to the status of the account, the debt was automatically being referred externally. They brought the debt back in house again, and explained they were looking for a workaround on their systems, to prevent any further occurrences of this.

Mr M felt that Santander had not complied with the initial findings, so the case was re-opened this month, and the investigator issued further findings. He recommended that in addition to the redress already agreed, that Santander pay Mr M £100 in compensation for the distress caused by the additional mistakes; and due to the fact Santander were unable to provide assurances that the same issue would not happen again. Santander accepted this proposal. But Mr M remained unhappy. So, the case has been passed to me, to decide.

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.

Since the case has been with me. Santander have confirmed a fix to its system has now been put in place, meaning that no further referrals will be made to debt collection agencies moving forward.

The three main points for me to cover here are the initial lending decision; Santander having not reached out to Mr M to discuss a repayment plan; and the debt, having been bought back in house, being referred again to a third party, after both parties had accepted the investigator's findings.

Looking first at the matter of the initial lending decision, the investigator found that while the checks carried out by Santander were proportionate, the information Santander obtained from the results of those checks, should've been sufficient for them to reasonably conclude that the loan being arranged would not have been affordable for Mr M.

Both Mr M and Santander agreed with these findings and the subsequent redress proposed. So, I'm not going to investigate this matter further, as it is no longer in dispute. But I'd like to confirm that I agree with the findings reached by the investigator, and for the same reasons they have set out.

Turning next to the issue of arranging a repayment plan. When the investigator was informed by Mr M that he had not heard from Santander, he reached out to establish what was happening in terms of a repayment plan being agreed, given that Mr M still owed some of initial capital borrowed under the agreement. Santander said that no formal arrangement would be made as such, but Mr M could contact them to confirm what he could afford to repay, and that could be noted on his account.

I appreciate what Santander have said here, but the initial view instructed Santander to agree a repayment plan with Mr M, and this was accepted by both parties. So, I think Santander should have been more pro-active in reaching out to Mr M to arrange this, rather than waiting for Mr M to contact them. So, I'm upholding this element of Mr M's complaint.

Turning finally to the issue of the debt being passed to a third party. I understand that Mr M was under the impression that Santander would buy the debt back and agree the repayment

plan directly. Whereas Santander, when agreeing to the findings, accepted them on the basis that the repayment plan could be arranged directly with the third-party.

I appreciate there has been some confusion here with both parties having a different opinion on how things would play out. But to clarify, as a service, we are happy with either approach being adopted. That being said, Santander have now confirmed the debt has been brought back in house, and they are willing to accept any arrangement Mr M can afford moving forward. I think this is a reasonable way to progress this matter, and to clarify, I think Santander should reach out to Mr M, to put any arrangement in place. Santander has also since confirmed that a fix has been found, that will prevent any further occurrences of Mr M's debt being passed to a third party, which I'm pleased to see.

In summary, I think Santander should've realised the initial lending would've been unaffordable for Mr M. I also think they caused Mr M further distress in the way they have handled things, after the case was initially closed. And I think they could've been more pro-active in reaching out to Mr M to arrange ongoing payments on his account. Due to this, I think Mr M should be compensated, and I agree that £100 is a fair sum in the circumstances.

My final decision

My final decision is that I uphold Mr M's complaint, and if they haven't already, Santander should:

- add up the total amount of money Mr M received as a result of having been given the loan. Any repayments Mr M made should be deducted from this amount;
- contact Mr M to arrange an affordable and suitable plan to repay any capital balance outstanding;
- remove any adverse information in relation the loan account from Mr M's credit file once the capital balance has been repaid;
- pay Mr M £100 in compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 December 2024.

Brad McIlquham
Ombudsman