DRN-4453671

The complaint

Miss W says National Westminster Bank Plc irresponsibly lent to her.

What happened

Miss W took out two loans from NatWest. The first was on 27 November 2017 for £11,500 over 60 months and the monthly repayments were £277.98. The second, used to refinance loan 1, on 24 May 2018 was for £11,250 over 56 months and the monthly repayments were £249.92. Miss W made a third application on 12 May 2022 that was approved but she cancelled that agreement within the cooling-off period..

Miss W says the lending was irresponsible and trying to repay the debt has crippled her. She wants all interest refunding and compensation.

NatWest says it carried out affordability and credit checks and Miss W's applications met its lending criteria.

Our investigator did not uphold Miss W's complaint. She said NatWest carried out proportionate checks and there was nothing in the results that suggested the loans might not be sustainably affordable for Miss W.

Miss W disagreed and asked for an ombudsman's review. She said she did not have the level of disposable income that NatWest calculated and could not afford the loans.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as NatWest, need to abide by. NatWest will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, NatWest needed to check that Miss W could afford to meet her repayments out of her usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks NatWest carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Miss W's particular circumstances.

The overarching requirement was that NatWest needed to pay due regard to Miss W's interests and treat her fairly. With this in mind, my main considerations are did NatWest complete reasonable and proportionate checks when assessing Miss W's loan applications to satisfy itself that she would be able to make her repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did NatWest make fair lending decisions?

I have reviewed the checks NatWest carried out for both loans. It asked Miss W for her income and verified this against her current account as she held her primary account with NatWest. Her disclosed income was largely accurate. It asked about her housing costs and used national statistics to estimate her living costs. It carried out credit checks to understand her existing credit commitments. It asked about the purpose of the loans which was debt consolidation for loan 1 and to refinance loan 1 reducing her monthly repayments for loan 2. I've summarised some of the information NatWest relied on in the table below.

loan	stated income	stated housing costs	estimated living costs	existing credit commitments	remaining disposable income
1	£1,308	-	£389	£157	£762
2	£1,375	-	£432	£33	£910

From these checks combined NatWest concluded Miss W could afford to repay both loans.

I think these checks were proportionate given the value of the monthly repayments relative to Miss W's income and her low level of debt elsewhere - as indicated by her existing repayments. And I think NatWest's lending decisions were fair based on the information it gathered. I'll explain why.

NatWest said that at the time of the applications there was no adverse information recorded against Miss W's accounts such as credit defaults, court judgements or bankruptcy either on its records or on the data it obtained from the credit reference agency(ies). I haven't seen the detail of the credit information NatWest relied on, other than the value of Miss W's monthly credit commitments.

But Miss W provided us with a copy of her credit file and from that I can accept that NatWest would not have seen a level of adverse information on Miss W's credit record such that it was wrong to lend. She was up-to-date with all her active credit and had no defaults, delinquent accounts, overlimit accounts or payday loans. There seems to have been a query on a utility account a few months before loan 1 but that had been settled, and there was just one month of arrears on another utility account in May 2017 but that had been brought up-to-date.

As Miss W held her primary current account at NatWest it would have been aware that she had been persistently overdrawn for a number of years – so she wasn't using that product for short-term borrowing needs, as intended. However, NatWest also knew that Miss W was taking out loan 1 for debt consolidation and I can see from her bank statements that she did indeed repay her overdraft with loan 1 – as well as the overdraft on another current account she held and one of her credit cards. When Miss W applied for loan 2 in order to reduce her monthly repayments, her current account had been consistently in credit and she was no longer reliant on her overdraft facility.

Altogether, I can't say that there was anything in the information NatWest had about Miss W's circumstances that should have led it to decline either loan application or should have prompted it to complete further checks before entering into the agreement. There were no obvious signs of financial difficulty in the information it relied on and the loan repayments weren't so large relative to Miss W's means that they were clearly unaffordable.

Miss W argues that she did not have the level of disposable income that NatWest calculated, but as I've said I think it was reasonable to rely on the data it did for its calculations. However, even if I was to take into account that as it had access to her bank statements it could have used actuals for her living expenses, whilst this would have changed the amount of disposable income it would not have shown the loans to be unaffordable based on her income and fixed costs. We would not expect a lender to consider an applicant's discretionary spend. I have also considered here that the purpose of loan 1 was in part to clear Miss W's overdraft.

Overall, I do not think NatWest was wrong to give either loan to Miss W.

I am sorry to hear that Miss W went to have financial difficulties and that this caused significant stress for her. I hope she now has the support she needs. If not, she may find it helpful to seek support from an organisation that can offer free debt management advice such as StepChange (tel: 0330 055 2198) and/or MIND (tel: 0300 123 5393) for support with mental health issues.

My final decision

I am not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 6 March 2024.

Rebecca Connelley
Ombudsman